As filed with the Securities and Exchange Commission on April 9, 1999.
Registration No. 333-74851

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	7372	51-0350842
(state or other jurisdiction of incorporation)	(Primary standard industrial classification number)	(IRS employer identification or organization)

575 Broadway
New York, New York 10012
(212) 941-2988
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ryan A. Brant, Chief Executive Officer
Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
(212) 941-2988
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Robert J. Mittman, Esq. Tenzer Greenblatt LLP The Chrysler Building 405 Lexington Avenue New York, New York 10174 Telephone No. (212) 885-5000 Telecopier No. (212) 885-5001	Steven Della Rocca, Esq. Latham & Watkins 885 Third Avenue Suite 1000 New York, New York 10022 Telephone No. (212) 906-1200 Telecopier No. (212) 751-4864

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated April 9, 1999

Prospectus

5,000,000 Shares

[GRAPHIC OMITTED]

Take-Two Interactive Software, Inc.

Common Stock

We are a leading developer, publisher and distributor of interactive entertainment software. Through internal expansion and several strategic acquisitions, we have become one of the largest distributors of interactive entertainment software in the United States and one of the top ten publishers of interactive entertainment software in Europe.

We are offering and selling 3,500,000 shares of common stock with this prospectus, and the selling stockholders named under "Principal and Selling Stockholders" on page 39 are selling 1,500,000 shares. We will not receive any of the proceeds from shares sold by the selling stockholders.

Our common stock is listed for trading on the Nasdaq National Market under the symbol "TTWO." On April 8, 1999, the last reported sale price of our common stock on the Nasdaq National Market was $10.0625.

Investing in our common stock involves certain risks. See "Risk Factors" beginning on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to Take-Two Interactive Software, Inc.	$	$
Proceeds to Selling Stockholders	$	$

The underwriters may purchase up to an additional 450,000 shares of common stock from us and up to an additional 300,000 shares of common stock from certain selling stockholders to cover over-allotments of shares.

The underwriters are severally underwriting the shares being offered. The underwriters are offering the shares when, as and if delivered to and accepted by them, subject to various prior conditions, including their right to reject orders in whole or in part. The underwriters expect to deliver the shares against payment in New York, New York on , 1999.

ING Baring Furman Selz LLC

Gerard Klauer Mattison & Co., Inc.

Morgan Keegan & Company, Inc.

This prospectus is dated , 1999

Description of Artwork:

Cartoon character from Grand Theft Auto holding a gun and saying "... now can we talk?" in front of the Take-Two logo.

Pictures and names of game titles; Logos for Take-Two, Jack of All Games, Rockstar Games, Gathering of Developers, Joytech Europe, DVDWave, Mission Studios and Talonsoft.

PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including our financial statements and related notes, and especially the risks described under "Risk Factors." Unless we state otherwise in this prospectus, all of the information in this prospectus assumes that the underwriters do not exercise their over-allotment option.

The Company

Our Business

We are a leading developer, publisher and distributor of interactive entertainment software. Our software operates on multimedia personal computers, video game console platforms manufactured by Sony, Nintendo and Sega and Nintendo's GameBoy Color hand-held gaming system. Through internal expansion and several strategic acquisitions, we have become one of the largest distributors of interactive entertainment software in the United States and one of the top ten publishers of interactive entertainment software in Europe.

Our software is developed internally by our five design studios, created by third-party developers on our behalf and licensed from third-party developers. Our relationships with third-party developers include Gathering of Developers, a group of six premier interactive entertainment software development studios, DMA Design and Z-Axis. We publish software globally under the Rockstar Games, Talonsoft, Mission Studios, Gathering of Developers and Take-Two labels. We have released a variety of popular titles in significant interactive entertainment genres, including Grand Theft Auto, Railroad Tycoon II and the Jetfighter series, and expect to release various new titles, including versions of Fly!, Monster Truck Madness, Earthworm Jim 3-D, Max Payne, Duke Nukem and Grand Theft Auto II.

We distribute our software as well as software of third parties worldwide through our subsidiary Jack of All Games. We distribute interactive entertainment software to over 20,000 retail outlets in the United States through third party distributors and through direct relationships with large retail customers. Our U.S. customers include WalMart, Toys R Us, Electronics Boutique, Babbage's, Best Buy and Ames Department Stores, as well as leading national and regional drug store, supermarket and discount store chains and specialty retailers.

We have significantly expanded our international presence through the acquisition of publishing and distribution operations in the United Kingdom, France, Germany, Norway, Sweden, Denmark and Australia. We distribute interactive entertainment software to over 19,000 retail outlets in Europe through third party distributors and through direct relationships with retail customers in the United Kingdom, France and Germany. Our Joytech subsidiary is a leading manufacturer of video game hardware accessories in Europe. Sales in foreign markets have accounted for an increasing portion of our revenues.

In recent years we have achieved significant growth in sales and net income. Our revenues increased to $194.1 million for the year ended October 31, 1998 from $97.3 million for the year ended October 31, 1997. We generated earnings of $7.2 million for the year ended October 31, 1998, as compared to a loss of $2.8 million for the year ended October 31, 1997.

Our Strategy

Our objective is to achieve growth and increase profitability by developing high-quality interactive entertainment software and by capitalizing on our distribution expertise. Our strategy includes:

- Acquiring and developing a portfolio of high-quality content;
- Establishing and building strong brand recognition;
- Distributing software to a broader range of consumers;
- Continuing to expand our international operations;

- Using our integrated and diversified operations to manage industry changes; and

- Developing multi-player on-line gaming and pursuing distribution opportunities over the Internet.

Recent Acquisitions

Since March 1998, we have completed the following acquisitions:

Company	Date	Description
BMG Interactive	March 1998	Direct distribution, sales and marketing operations in France and Germany; a publishing and distribution group in the United Kingdom; and rights to interactive entertainment software.
Tarantula	May 1998	A development studio specializing in Nintendo GameBoy Color products.
DirectSoft Australia Pty. Limited	June 1998	Publisher and distributor of interactive entertainment software in Australia and New Zealand.
Jack of All Games, Inc.	August 1998	Distributor of interactive entertainment software in the United States.
Talonsoft, Inc.	December 1998	Developer of historical military strategy games.
L.D.A. Distribution Limited	February 1999	Distributor of interactive entertainment software to small retailers in the United Kingdom and France.
Joytech Europe Limited	February 1999	Manufacturer of computer accessories and peripherals.
Gathering of Developers I, Ltd.	February 1999	19.9% Class A limited partnership interest.
DVDWave.com	February 1999	Distributor of DVD movie titles over the Internet.
Funsoft Nordic A.S.	March 1999	Distributor and budget publisher of interactive entertainment software in Norway, Sweden and Denmark.

We intend to pursue potential acquisition transactions and investments that are consistent with our overall strategy and that we believe will add value to our operations.

We were incorporated in the state of Delaware in September 1993. Our principal executive offices are located at 575 Broadway, New York, New York 10012, and our telephone number is (212) 941-2988.

The Offering

Common stock offered	5,000,000 shares (including 3,500,000 shares offered by us and 1,500,000 shares offered by selling stockholders).
Over-allotment option	Up to 750,000 shares (including up to 450,000 shares offered by us and up to 300,000 shares offered by selling stockholders). If the underwriters exercise their over-allotment option in full at a public price per share of $, the total price to public, underwriting discounts, proceeds to us and proceeds to selling stockholders will be $, $, $ and $.
Common stock to be outstanding after this offering	22,988,150 shares, based on the number of shares outstanding as of the date of this prospectus. This does not include 3,418,289 shares issuable upon exercise of options and warrants as of the date of this prospectus.
Use of Proceeds	We intend to use the net proceeds from this offering to reduce outstanding indebtedness; to fund our continued expansion; and for additional working capital and general corporate purposes. We may use a portion of the net proceeds to acquire complementary businesses, products or technologies.
Nasdaq National Market symbol	TTWO
Risk Factors	You should read the "Risk Factors" section beginning on page 7 and the other cautionary statements in this prospectus to ensure that you understand the risks associated with an investment in our common stock.

Cautionary Note Regarding Forward-Looking Statements

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy and our plans are forward-looking statements. These statements can sometimes be identified by our use of words such as "may," "anticipate," "expect," "intend," "believe," "estimate" or similar expressions. Our expectations in any forward-looking statements may not turn out to be correct. Our actual results could be materially different from our expectations. Important factors that could cause our actual results to be materially different from our expectations include those discussed under "Risk Factors." We have no obligation to update these statements to reflect events and circumstances after the date of this prospectus.

Summary Financial Information
(In thousands, except per share data)

You should read the following summary financial information together with the "Use of Proceeds" section and our financial statements and related notes included elsewhere in this prospectus.

	Fiscal Years Ended October 31,				
	1994	1995	1996	1997(2)	1998(3)
	(unaudited)				
Statement of Operations Data:(1)					
Net sales	$25,273	$35,758	$ 55,123	$ 97,341	$ 194,052
Income (loss) from operations	(373)	(381)	2,032	(895)	10,690
Income (loss) before income taxes	(397)	(512)	1,724	(2,739)	7,010
Net income (loss)(4)	(471)	(603)	1,682	(2,768)	7,181
Net income (loss) per share(4)					
Basic	$ (.05)	$ (.07)	$ .16	$ (.25)	$ .49
Diluted	(.05)	(.07)	.15	(.25)	.42
Weighted average number of shares outstanding					
Basic	8,977	9,423	10,281	11,697	14,747
Diluted	8,977	9,423	11,454	11,697	17,063
Net income (loss) per share attributable to common stockholders -- Diluted(5)	$ (0.05)	$ (0.10)	$ .06	$ (.31)	$ .37

	Three Months Ended January 31,	
	1998	1999
	(unaudited)	
Statement of Operations Data:(1)		
Net sales	$ 51,405	$ 68,281
Income (loss) from operations	3,378	5,125
Income (loss) before income taxes	1,830	4,308
Net income (loss)(4)	1,821	2,895
Net income (loss) per share(4)		
Basic	$ .14	$ .16
Diluted	.13	.15
Weighted average number of shares outstanding		
Basic	13,258	18,212
Diluted	14,873	19,534
Net income (loss) per share attributable to common stockholders -- Diluted(5)	$ .10	$ .15

	As of October 31,				As of January 31, 1999	
	1995	1996	1997(2)	1998(3)	Actual	As Adjusted(6)
	(unaudited)				(unaudited)	
Balance Sheet Data:(1)						
Cash and cash equivalents	$ 727	$ 737	$ 2,372	$ 2,763	$ 4,761	$ 17,167
Working capital	(793)	(290)	16,037	21,797	25,980	58,386
Total assets	11,109	24,209	56,395	109,385	107,641	120,047
Total debt	2,092	9,127	22,031	30,808	31,916	11,916
Total liabilities	8,955	20,026	44,460	73,820	68,175	48,175
Stockholders' equity	2,154	4,183	11,935	35,566	39,467	71,872

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(1) We acquired Inventory Management Systems, Inc. and Creative Alliance Group, Inc. in July 1997, Jack of All Games, Inc. in August 1998 and Talonsoft, Inc. in December 1998. The acquisitions are accounted for as pooling of interests and our financial statements include the results of operations and financial position of these entities for all periods presented.

(2) We acquired GameTek (UK) Limited and Alternative Reality Technologies, Inc. in July 1997. The acquisition was accounted for as a purchase and the results of operations and financial position of these entities are included in our financial statements as of the date of the acquisition.

(3) We acquired L&J Marketing, Inc. d/b/a Alliance Distributors in December 1997, certain assets from BMG Interactive in March 1998 and DirectSoft, Inc. in June 1998. These acquisitions were accounted for as a purchase and the results of operations and financial position of these entities are included in our financial statements as of the date of the acquisition.

(4) Does not give effect to distributions of $367,165 (unaudited), $1,005,800, $673,092 and $931,000 paid to S-corporation shareholders prior to acquisitions for 1995, 1996, 1997 and 1998 and $362,000 (unaudited) for the three months ended January 31, 1998.

(5) Gives effect to distributions of $367,165 (unaudited), $1,005,800, $673,092 and $931,000 paid to S-corporation shareholders prior to acquisitions for 1995, 1996, 1997 and 1998 and $362,000 (unaudited) for the three months ended January 31, 1998.

(6) As adjusted to reflect the sale of 3,500,000 shares of common stock offered by us with this prospectus.

RISK FACTORS

The shares offered hereby involve a high degree of risk. Each prospective investor should carefully consider the following risk factors before making an investment decision.

Many Of Our Titles Have Short Lifecycles And Fail To Generate Significant Revenues

The market for our interactive entertainment software is characterized by short product lifecycles and the frequent introduction of new products. Many software titles do not achieve sustained market acceptance or do not generate a sufficient level of sales to offset the costs associated with product development. A significant percentage of the sales of new titles generally occurs within the first three months following their release. Therefore, our continued profitability depends upon our ability to develop and sell new, commercially successful titles and to replace revenues from titles in the later stages of their lifecycles. Any competitive, financial, technological or other factor which delays or impairs our ability to introduce and sell our software could adversely affect our future operating results.

A Significant Portion Of Our Revenues Are Derived From A Limited Number Of Titles

For the year ended October 31, 1998, ten titles accounted for approximately 31.3% of our revenues, with Grand Theft Auto, Three Lions Soccer and Silicon Valley accounting for 7.6%, 4.0% and 3.7% of our revenues. For the three-month period ended January 31, 1999, ten titles accounted for approximately 28.5% of our revenues. Our future titles may not be commercially viable. We also may not be able to release new titles within scheduled release times or at all. If we fail to continue to develop and sell new, commercially successful titles, our revenues and profits may decrease substantially.

Our Business Is Dependent On Licensing And Publishing Arrangements With Third Parties

Our success depends on our ability to identify and exploit new titles on a timely basis. We have entered into agreements with third parties to acquire the rights to publish and distribute interactive entertainment software. These agreements typically require us to make advance payments, pay royalties and satisfy other conditions. Software development costs, promotion and marketing expenses and royalties payable to software developers have increased significantly in recent years and reduce the potential profits from sales of our software. Future sales of our titles may not be sufficient to recover advances to software developers, and we may not have adequate financial and other resources to satisfy our contractual commitments. If we fail to satisfy our obligations under these license agreements, the agreements may be terminated or modified in ways that may be burdensome to us.

We recently entered into agreements with Gathering of Developers (Gathering) granting us exclusive rights to distribute in the U.S. and publish in Europe interactive entertainment software designed for personal computers (PCs) through May 2003. The agreements obligate us to make advance payments of $12.5 million (which are recoupable against royalties) to finance software development costs and to make payments of $4.0 million to acquire a 19.9% limited partnership interest in Gathering. Our advance payments may not be sufficient to permit Gathering to develop new software successfully. In addition, titles developed for us by Gathering may not achieve significant market acceptance, and we may not recoup our advances or otherwise generate meaningful sales of these titles. If our agreements with Gathering terminate before we recoup our advances, we will lose a significant investment.

Our profitability depends upon our ability to continue to license popular properties on commercially feasible terms. Numerous companies compete intensely for properties, and we may not be able to license popular properties on favorable terms or at all in the future.

We Continually Need To Develop New Interactive Entertainment Software For Various Operating Systems

We depend on third-party software developers and our internal development studios to develop new interactive entertainment software within anticipated release schedules and cost projections. Most of our titles are externally developed. If developers experience financial difficulties, additional costs or unanticipated development delays, we will not be able to release titles according to our schedule and may incur losses.

The development of new interactive entertainment software is lengthy, expensive and uncertain. Considerable time, effort and resources are required to complete development of proposed titles. We have in the past and may in the future experience delays in introducing new titles. Delays, expenses, technical problems or difficulties could force the abandonment of or material changes in the development and commercialization of our proposed titles. In addition, the costs associated with developing titles for use on new or future platforms may increase our development expenses.

The software incorporated into our titles may contain defects or errors which do not become apparent until after commercial introduction. Remedying such errors may delay our plans, cause us to incur additional costs and adversely affect our operations.

We Are Subject To Various Distribution Risks

Our distribution business accounts for a substantial portion of our revenues. Our distribution operations require us to:

- maintain our operating margins;
- secure adequate supplies of currently popular software and hardware on a timely and competitive basis;
- continually turn our inventories; and
- maintain effective inventory and cost controls.

We are dependent on third-party software and hardware manufacturers, developers, distributors and dealers, including our competitors, to provide adequate inventories of popular interactive entertainment software to our retail customers when needed and on favorable pricing terms. We generally do not maintain agreements with suppliers. Suppliers may sell their software directly to our retail customers, rather than through us, on more favorable terms than those provided to us. We have historically purchased a significant portion of our titles from a limited number of suppliers. If suppliers do not provide us with competitive titles on favorable terms without delays, we will be unable to deliver titles on competitive terms to our retail customers when they require them.

We May Fail To Anticipate Changing Consumer Preferences

Our business is speculative and is subject to all of the risks generally associated with the interactive entertainment software industry, which has been cyclical in nature and has been characterized by periods of significant growth followed by rapid declines. Our future operating results will depend on numerous factors beyond our control, including:

- the popularity, price and timing of new interactive entertainment titles being released and distributed by us and our competitors;
- international, national and regional economic conditions, particularly economic conditions adversely affecting discretionary consumer spending;
- changes in consumer demographics;
- the availability of other forms of entertainment; and
- critical reviews and public tastes and preferences, all of which change rapidly and cannot be predicted.

In order to plan for acquisition and promotional activities, we must anticipate and respond to rapid changes in consumer tastes and preferences. A decline in the popularity of interactive entertainment software or particular platforms could cause sales of our titles to decline dramatically. The period of time necessary to develop new game titles, obtain approvals of manufacturers and produce CD-ROMs or game cartridges is unpredictable. During this period, consumer appeal of a particular title may decrease, causing projected sales to decline.

Rapidly Changing Technology And Potential Obsolescence Of Software And Platforms Could Harm Our Operating Results

The interactive entertainment software market and the PC and video game console industries in general are associated with rapidly changing technology, which leads to software and platform obsolescence and significant price erosion of interactive entertainment software. Our titles have been developed primarily for multimedia PCs and video game consoles, including Nintendo 64 and Sony's PlayStation game console. Sony has recently announced the creation of the next generation of the Playstation. Sega has introduced its Dreamcast system in Japan and plans to introduce it in the U.S. and Europe later this year. Nintendo has stated that it is in the process of developing a new video game platform. If the sales rates of multimedia PCs or video game consoles level off or decline as a result of the anticipated release of new platforms or other technological changes, sales of our titles developed for these platforms may decrease.

We need to anticipate technological changes and continually adapt our new titles to emerging platforms to remain competitive in terms of price and performance. Our success depends upon our ability and the ability of third-party developers to adapt software to operate on and to be compatible with the products of original equipment manufacturers and to function on various hardware platforms and operating systems. If we design titles to operate on new platforms, we may be required to make substantial development investments well in advance of platform introductions, and we will be subject to the risks that any new platform may not achieve initial or continued market acceptance. In addition, our software designed for PCs must maintain compatibility with computers, their operating software and their hardware accessories. If we are unable to develop or adapt titles to operate on and be compatible with future platforms that achieve market acceptance or to maintain compatibility with new platforms as needed, we will be unable to offer titles that may appeal to consumers in the future.

The introduction of new platforms and technologies can render existing interactive entertainment software obsolete and unmarketable. We expect that as more advanced platforms are introduced, consumer demand for software for older platforms will decline. As a result, our titles developed for such platforms may not generate sufficient sales to make such titles profitable. Obsolescence of software or platforms could leave us with increased inventories of unsold titles and limited amounts of new titles to sell to consumers.

A number of software publishers who compete with us have developed or are currently developing software for use by consumers over the Internet. Future increases in the availability of such software or technological advances in such software or the Internet could result in a decline in platform-based software and impact our sales.

Returns Of Our Titles May Adversely Effect Our Operating Results

Our arrangements with retailers for published titles require us to accept returns for stock balancing, markdowns or defects. We establish a reserve for future returns of published titles at the time of sales, based primarily on these return policies and historical return rates, and we recognize revenues net of returns. We have historically experienced a return rate of approximately 10% of gross publishing revenues.

Our distribution arrangements with retailers generally do not give them the right to return titles to us or to cancel firm orders, although we do accept returns for stock balancing, markdowns and defects. We sometimes negotiate accommodations to retailers, including price discounts, credits and returns, when demand for specific titles falls below expectations. Historically, less than 1% of distribution revenues represent write-offs for returns.

Our sales returns and allowances for the years ended October 31, 1997 and 1998 were $8,330,705 and $13,672,432. If return rates significantly exceed our estimates, our operating results will be materially adversely affected.

Our Quarterly Operating Results Frequently Vary Significantly

We have experienced and may continue to experience wide fluctuations in quarterly operating results as a result of:

o delays in the introduction of new titles;

- variations in sales of titles designed to operate on particular platforms;
- the size and growth rate of the interactive entertainment software market;
- market acceptance of our 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 us and our 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 interactive entertainment software during the year-end holiday season.

The Interactive Entertainment Software Industry Is Highly Competitive

We compete both for licenses to properties and the sale of interactive entertainment software with Sony, Nintendo and Sega, each of which is the largest developer and marketer of software for its platforms. Sony and Nintendo currently dominate the industry and have the financial resources to withstand significant price competition and to implement extensive advertising campaigns, particularly for prime-time television. These companies may also increase their own software development efforts.

In addition, we compete with domestic public and private companies, international companies, large software companies and media companies. Many of our competitors have far greater financial, technical, personnel and other resources than we do, and many are able to carry larger inventories, adopt more aggressive pricing policies and make higher offers to licensors and developers for commercially desirable properties than we can. Our titles also compete with other forms of entertainment such as motion pictures, television and audio and video cassettes featuring similar themes, on-line computer programs and forms of entertainment which may be less expensive or provide other advantages to consumers.

Retailers typically have limited shelf space and promotional resources, and competition is intense among an increasing number of newly introduced interactive entertainment software titles for adequate levels of shelf space and promotional support. Competition for retail shelf space is expected to increase, which may require us to increase our marketing expenditures just to maintain current levels of sales of our titles. Competitors with more extensive lines and popular titles frequently have greater bargaining power with retailers. Accordingly, we may not be able to achieve the levels of support and shelf space that such competitors receive. Similarly, as competition for popular properties increases, our cost of acquiring licenses for such properties is likely to increase, possibly resulting in reduced margins. Prolonged price competition, increased licensing costs or reduced operating margins would cause our profits to decrease significantly.

We Depend On Console Manufacturers For Supplies Of Our Games

We depend on non-exclusive licenses with Sony, Nintendo and Sega both for the right to publish titles for their platforms and for the manufacture of our software designed for use on their platforms. Our licenses for the PlayStation, Nintendo 64, Nintendo GameBoy and Sega Dreamcast platforms require that we obtain

approval for the publication of new titles on a title-by-title basis. As a result, the number of titles we are able to publish for these platforms may be limited. If any of these licenses were terminated, we would lack alternative sources for the manufacture of titles for these platforms and would be unable to develop and publish software developed for these platforms.

Each of Sony, Nintendo and Sega is the sole manufacturer of the titles we publish under license from such manufacturer. Each platform license provides that the manufacturer may raise prices for the titles at any time and grants the manufacturer substantial control over the release of new titles. The relatively long manufacturing cycle for cartridge-based titles for the Nintendo platform (from 30 to 45 days) requires us to accurately forecast retailer and consumer demand for our titles far in advance of sales. Nintendo cartridges are also more expensive to manufacture than CD-ROMs, resulting in greater inventory risks for those titles. Each of these manufacturers also publishes software for its own platforms and manufactures titles for all of its other licensees and may choose to give priority to its own titles or those of other publishers if it has insufficient manufacturing capacity or if there is increased demand.

These manufacturers may not have sufficient production capacity to satisfy our scheduling requirements during any period of sustained demand. If manufacturers do not supply us with finished titles on favorable terms without delays, our operations could be materially interrupted, and our operating results could be adversely affected.

We May Not Be Able To Protect Our Proprietary Rights Or Avoid Claims That We Infringe On The Proprietary Rights Of Others

We develop proprietary software and technologies and have obtained the rights to publish and distribute software developed by third parties. We attempt to protect our software and production techniques under copyright, trademark and trade secret laws as well as through contractual restrictions on disclosure, copying and distribution. We generally do not hold any patents or registered copyrights.

Interactive entertainment software is susceptible to unauthorized copying. Unauthorized third parties may be able to copy or to reverse engineer our software to obtain and use programming or production techniques that we regard as proprietary. In addition, our competitors could independently develop technologies substantially equivalent or superior to our technologies.

As the amount of interactive entertainment software in the market increases and the functionality of this software further overlaps, we believe that interactive entertainment software will increasingly become the subject of claims that such software infringes the copyrights or patents of others. From time to time, we receive notices from third parties alleging infringement of their proprietary rights. Although we believe that our software and technologies and the software and technologies of third-party developers and publishers with whom we have contractual relations do not and will not infringe or violate proprietary rights of others, it is possible that infringement of proprietary rights of others may occur. Any claims of infringement, with or without merit, could be time-consuming, costly and difficult to defend.

Our Rapid Expansion And Acquisitions May Strain Our Operations

We have expanded through internal growth and acquisitions, which have placed and may continue to place a significant strain on our management, administrative, operational, financial and other resources. We have released a significant number of titles on new platforms, expanded our publishing and distribution operations, increased our advances to developers and manufacturing expenditures, enlarged our work force and expanded our presence in international markets. To successfully manage this growth, we must continue to implement and improve our operating systems as well as hire, train and manage a substantial and increasing number of management, technical, marketing, administrative and other personnel. We may be unable to effectively manage rapidly expanded operations which are geographically dispersed.

We have acquired rights to various properties and businesses, and we intend to continue to pursue opportunities by making selective acquisitions consistent with our business strategy. We may be unable to successfully integrate new personnel, property or business into our operations. If we are unable to successfully integrate future personnel, properties or businesses into our operations, we may incur significant charges.

Our publishing and distribution activities require significant amounts of capital. We may seek to obtain additional debt or equity financing to fund the cost of continuing expansion. The issuance of equity securities would result in dilution to the interests of our stockholders.

Our Accounts Receivable May Be Concentrated In A Limited Number Of Customers

Sales to our five largest customers accounted for approximately 36.2% and 22.4%, respectively, of our revenues for the years ended October 31, 1997 and 1998. The loss of our relationships with principal customers or a decline in sales to principal customers could harm our operating results. Our accounts receivable, less an allowance for doubtful accounts and product returns, at October 31, 1998 were $49,138,871. Approximately $7,344,952 or 14.9%, of our net accounts receivable were due from Ames Department Stores. These receivables are covered by insurance and have been collected in the ordinary course of business to date.

Our sales are typically made on credit, with terms that vary depending upon the customer and the demand for the particular title being sold. We do not hold any collateral to secure payment by our customers. As a result, we are subject to credit risks, particularly in the event that any of our receivables represent sales to a limited number of retailers or are concentrated in foreign markets. If we are unable to collect on accounts receivable as they become due and such accounts are not covered by insurance, it could adversely affect our financial condition.

We Have Significant Outstanding Indebtedness And Have Granted Security Interests To Debtholders

We have incurred substantial indebtedness in order to finance our expanded operations. As of March 31, 1999, $30,665,236 was outstanding under a line of credit agreement between our subsidiary Jack of All Games, Inc. and NationsBank, N.A. The line of credit with NationsBank provides for borrowings of up to $35,000,000 through September 30, 1999 and $45,000,000 thereafter. Borrowings under the line of credit with NationsBank are collateralized by liens on accounts receivable and inventory of our subsidiary, Jack of All Games, and are guaranteed by us. The loan agreement contains certain financial covenants and limits or prohibits Jack of All Games, subject to certain exceptions, 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. Although we intend to use a portion of the proceeds of this offering to reduce outstanding indebtedness under this line of credit, we expect to use the resulting increased borrowing availability under the line of credit to fund additional expansion. If we default on our obligations, NationsBank could elect to declare our indebtedness to be due and payable and foreclose on our assets.

We Are Dependent Upon Our Key Executives And Personnel

Our success is largely dependent on the personal efforts of certain key personnel. The loss of the services of one or more of these key employees could adversely affect our business and prospects. Our success is also dependent upon our ability to hire and retain additional qualified operating, marketing, technical and financial personnel. Competition for qualified personnel in the computer software industry is intense, and we may have difficulty hiring or retaining necessary personnel in the future. If we fail to hire and retain necessary personnel as needed, our business will be significantly impaired.

Additional Shares Of Common Stock Will Be Eligible For Public Sale After This Offering

A substantial number of shares of previously issued common stock are eligible for resale under Rule 144 of the Securities Act, and may become freely tradeable. We have also granted registration rights with respect to a substantial number of shares of common stock, including options and warrants exercisable to purchase shares of common stock. If holders of registration rights choose to exercise such rights and sell shares of common stock in the public market or if holders of currently restricted shares choose to sell such shares in the public market under Rule 144, the prevailing market price for the common stock may decline. Our directors, executive officers and certain stockholders have agreed with the underwriters that they will not sell or

otherwise dispose of their shares of common stock for a period of 120 days after the date of this prospectus without the prior written consent of the underwriters. Future public sales of shares of common stock may adversely affect the market price of the common stock or our future ability to raise capital by offering equity securities.

The Market Price Of The Common Stock May Be Volatile

The market price of the common stock may be highly volatile. Disclosures of our operating results, announcements of various events by us or our competitors and the development and marketing of new titles affecting the interactive entertainment software industry may cause the market price of the common stock to change significantly over short periods of time.

Rating Systems For Interactive Entertainment Software And Possible Consumer Opposition To Violence And Explicit Material Could Inhibit Sales

The home video game industry requires interactive entertainment software publishers to provide consumers with information relating to graphic violence or sexually explicit material contained in software titles. Certain countries have also recently established similar rating systems as prerequisites for sales of interactive entertainment software in such countries. We seek to comply with such rating systems and display the ratings received for our titles. Our software titles have generally received a rating of "G" (all ages) or "T" (age 13 and over), although certain of our titles received a rating of "M" (age 18 and over), which limits the potential markets for these titles.

In the past, consumer advocacy groups have opposed sales of interactive entertainment software containing graphic violence and sexually explicit material by pressing for legislation in these areas and by engaging in public demonstrations and media campaigns. If any groups were to target our titles, we might be required to significantly change or discontinue a particular title. In addition, certain retailers, such as WalMart, Kmart, Sears and Target Stores, have declined to sell interactive entertainment software containing graphic violence or sexually explicit material, which also limits the potential markets for certain of our games.

We Are Subject To Risks And Uncertainties Of International Trade

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 our revenues. For the years ended October 31, 1997 and 1998, sales in international markets accounted for approximately 5.9% and 21.6% of our revenues. We are 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 our operating results.

Sales in France and Germany are made in local currencies. We do not engage in foreign currency hedging transactions.

The Year 2000 Risk May Adversely Affect Us

The inability of many existing computers to recognize and properly process data as the Year 2000 approaches may cause many computer software applications to fail or reach erroneous results. We have assessed potential issues that may result from the Year 2000 and are in the process of upgrading our accounting and management software, which we expect to complete by June 1999. We have contacted principal third-party suppliers and customers to determine their Year 2000 readiness and believe that such suppliers and customers are in the process of becoming Year 2000 compliant. However, any failure by us, our third-party suppliers or customers to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain of our business operations. We have not yet adopted a Year 2000 contingency plan.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $32,405,625. If the underwriters fully exercise their over-allotment option to purchase an additional 450,000 shares, the net proceeds will be $36,662,063. These estimates assume that the public offering price is $10.0625 per share, the last reported sale price of our common stock on the Nasdaq National Market on April 8, 1999. Net proceeds are computed by deducting estimated underwriting discounts and our estimated offering expenses from the total offering price. We will not receive any portion of the proceeds from the sale of the shares of common stock by selling stockholders.

We intend to use approximately $20,000,000 of the net proceeds from this offering to reduce outstanding indebtedness under the line of credit agreement between our wholly-owned subsidiary, Jack of All Games, and NationsBank. This line of credit bears interest at a rate of NationsBank's prime rate plus 0.5% and expires on February 28, 2001. Advances under this line of credit have been used to finance the operations of Jack of All Games and our expanded distribution capacities. At March 31, 1999, $30,665,236 was outstanding under the line of credit. We expect to use the resulting increased borrowing availability under this line of credit to fund additional expansion.

We intend to use a significant portion of the net proceeds in connection with our plans for continued expansion either through internal growth or strategic acquisitions, including providing advances to software developers such as Gathering.

We intend to use the balance of the net proceeds for working capital and general corporate purposes.

We intend to invest any net proceeds of this offering not immediately required for the above purposes in short-term, interest-bearing instruments.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock has been traded on the Nasdaq National Market under the symbol "TTWO" since September 23, 1998. From our initial public offering in April 14, 1997 to September 22, 1998, our common stock traded on the Nasdaq SmallCap Market. The following table shows the high and low closing sales prices per share of our common stock as reported by Nasdaq for each quarter since we have been public.

	High	Low
Fiscal Year Ended October 31, 1997		
Second Quarter (from April 14, 1997)	$ 7 9/16	$5 9/16
Third Quarter	8 11/16	7 1/8
Fourth Quarter	8 3/32	6 11/16
Fiscal Year Ended October 31, 1998		
First Quarter	7 3/8	5
Second Quarter	8 3/8	6 1/2
Third Quarter	8 9/16	5 1/2
Fourth Quarter	6 5/8	5 1/8
Fiscal Year Ended October 31, 1999		
First Quarter	13 1/16	6 5/32
Second Quarter (through April 8, 1999)	13 1/4	7 3/4

On April 8, 1999, the last reported price of our common stock on the Nasdaq National Market was $10.0625 per share. As of the date of this prospectus, there were approximately 90 holders of record of our common stock. We believe that there are in excess of 400 beneficial owners of our common stock.

We have never declared or paid any dividends on our common stock, and we do not expect to declare or pay any cash dividends in the foreseeable future. The payment of dividends, if any, in the future is within the discretion of the Board of Directors and will depend upon our earnings, if any, our capital requirements, financial condition and other relevant factors.

CAPITALIZATION

The following table sets forth our capitalization as of January 31, 1999 (1) on an actual basis and (2) as adjusted to reflect the sale of 3,500,000 shares of common stock offered by us with this prospectus. You should read this table together with the "Use of Proceeds" section and our financial statements and related notes included elsewhere in this prospectus.

	January 31, 1999	
	Actual	As Adjusted
Short-term debt	$31,833,951	$11,833,951
Long-term debt	81,861	81,861
Stockholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; none issued or outstanding.	--	--
Common stock, $.01 par value 50,000,000 shares authorized; 18,425,924 issued and outstanding; 21,925,924 shares issued and outstanding, as adjusted (1)	184,259	219,259
Additional paid-in capital	34,792,045	67,162,670
Deferred compensation	(212,951)	(212,951)
Retained earnings	4,964,358	4,964,358
Foreign currency translation adjustment	(261,142)	(261,142)
Total stockholders' equity	39,466,569	71,872,194
Total capitalization	$39,548,430	$71,954,055

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(1) Does not include an aggregate of 3,216,149 shares of common stock reserved for issuance upon exercise of outstanding options and warrants as of January 31, 1999.

SELECTED FINANCIAL DATA
(In thousands, except per share data)

The following selected financial data at and for the fiscal years ended October 31, 1996, 1997 and 1998 and the three months ended January 31, 1998 and 1999 has been derived from the financial statements included elsewhere in this prospectus and should be read in conjunction with the financial statements and related notes.

	Fiscal Year Ended October 31,				
	1994	1995	1996	1997(2)	1998(3)
	(unaudited)				
Statement of Operations Data:(1)					
Net sales	$25,273	$35,758	$ 55,123	$ 97,341	$194,052
Cost of sales	22,438	31,150	44,316	81,479	147,555
Gross profit	2,835	4,608	10,807	15,862	46,496
Operating expenses:					
Research and development costs	453	666	994	1,848	1,702
Selling and marketing	1,370	1,672	4,187	8,043	18,686
General and administrative	1,322	2,490	3,252	5,862	13,583
Depreciation and amortization	63	161	342	1,004	1,835
Total operating expenses	3,208	4,989	8,776	16,757	35,807
Income (loss) from operations	(373)	(381)	2,032	(895)	10,690
Interest expense	24	131	308	1,843	3,680
Income (loss) before income taxes	(397)	(512)	1,724	(2,739)	7,010
Provision (benefit) for income taxes	74	91	42	30	(334)
Net income (loss)(4)	$ (471)	$ (603)	$ 1,682	$ (2,768)	$ 7,181
Net income (loss) per share(4)					
Basic	$ (.05)	$ (.07)	$ .16	$ (.25)	$ .49
Diluted	(.05)	(.07)	.15	(.25)	.42
Net income (loss) per share attributable to common stockholders -- Diluted(5)	(.05)	(.10)	.06	(.31)	.37
Weighted average number of common shares outstanding					
Basic	8,977	9,423	10,281	11,697	14,747
Diluted	8,977	9,423	11,454	11,697	17,063

	Three Months Ended January 31,	
	1998	1999
	(unaudited)	
Statement of Operations Data:(1)		
Net sales	$ 51,405	$ 68,281
Cost of sales	40,798	53,538
Gross profit	10,608	14,743
Operating expenses:		
Research and development costs	487	592
Selling and marketing	4,231	4,161
General and administrative	2,135	4,411
Depreciation and amortization	377	453
Total operating expenses	7,230	9,618
Income (loss) from operations	3,378	5,125
Interest expense	1,548	817
Income (loss) before income taxes	1,830	4,308
Provision (benefit) for income taxes	9	1,413
Net income (loss)(4)	$ 1,821	$ 2,895
Net income (loss) per share(4)		
Basic	$ .14	$ .16
Diluted	.13	.15
Net income (loss) per share attributable to common stockholders -- Diluted(5)	.10	.15
Weighted average number of common shares outstanding		
Basic	13,258	18,212
Diluted	14,873	19,534

	As of October 31,				As of January 31, 1999	
	1995	1996	1997(2)	1998(3)	Actual	As Adjusted(6)
	(unaudited)				(unaudited)	
Balance Sheet Data:(1)						
Cash and cash equivalents	$ 727	$ 737	$ 2,372	$ 2,763	$ 4,761	$ 17,167
Working capital	(793)	(290)	16,037	21,797	25,980	58,386
Total assets	11,109	24,209	56,395	109,385	107,641	120,047
Total debt	2,092	9,127	22,031	30,808	31,916	11,916
Total liabilities	8,955	20,026	44,460	73,820	68,175	48,175
Stockholders' equity	2,154	4,183	11,935	35,566	39,467	71,872

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(1) We acquired Inventory Management Systems, Inc. and Creative Alliance Group, Inc. in July 1997, Jack of All Games, Inc. in August 1998 and Talonsoft, Inc. in December 1998. The acquisitions are accounted for as pooling of interests and our financial statements include the results of operations and financial position of these entities for all periods presented.

(2) We acquired GameTek (UK) Limited and Alternative Reality Technologies, Inc. in July 1997. The acquisition was accounted for as a purchase and the results of operations and financial position of these entities are included in our financial statements as of the date of the acquisition.

(3) We acquired L&J Marketing, Inc. d/b/a Alliance Distributors in December 1997, certain assets from BMG Interactive in March 1998 and DirectSoft, Inc. in June 1998. These acquisitions were accounted for as a purchase and the results of operations and financial position of these entities are included in our financial statements as of the date of the acquisition.

(4) Does not give effect to distributions of $367,165 (unaudited), $1,005,800, $673,092 and $931,000 paid to S-corporation shareholders prior to acquisitions for 1995, 1996, 1997 and 1998 and $362,000 (unaudited) for the three months ended January 31, 1998.

(5) Gives effect to distributions of $367,165 (unaudited), $1,005,800, $673,092 and $931,000 paid to S-corporation shareholders prior to acquisitions for 1995, 1996, 1997 and 1998 and $362,000 (unaudited) for the three months ended January 31, 1998.

(6) As adjusted to reflect the sale of 3,500,000 shares of common stock offered by us with this prospectus.

Our principal sources of revenues are our publishing and distribution activities. Publishing revenues are derived from the sale of internally developed interactive entertainment software or software licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware. Publishing activities usually generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of cartridges designed for video game consoles. We recognize revenue from software sales when titles are shipped. See Note 2 to Notes to Consolidated Financial Statements.

Our published titles are subject to return if not sold to consumers, including for stock balancing, markdowns or defective titles. We establish a reserve for future returns of published titles at the time of sales, based primarily on return policies and historical return rates, and we recognize revenues net of returns. We have historically experienced a return rate of approximately 10% of gross publishing revenues (less than 1% of distribution revenues represent write-offs for returns). If future returns significantly exceed our reserves, our operating results would be adversely affected.

Research and development costs (consisting primarily of salaries and related costs) incurred prior to establishing technological feasibility are expensed in accordance with Financial Accounting Standards Board (FASB) Statement No. 86. In accordance with FASB 86, we capitalize 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 title's release or the straight line method. At October 31, 1998, we had capitalized $2,260,037 of software development costs. We evaluate the recoverability of capitalized software costs which may be reduced materially in future periods. See Note 2 to Notes to Consolidated Financial Statements.

Recent Acquisitions

In March 1998, we acquired substantially all of the assets of BMG Interactive, including direct distribution, sales and marketing operations in France and Germany; a publishing and distribution group in the United Kingdom; distribution, publishing and certain sequel rights to interactive entertainment software; and various back catalogue publishing and distribution rights. As consideration for the acquisition, we issued BMG Interactive 1,850,000 shares of newly created Series A Convertible Preferred Stock, which were subsequently converted into common stock. See Note 3 to Notes to Consolidated Financial Statements.

In June 1998, we acquired all of the assets of DirectSoft Australia Pty. Limited, a publisher and distributor of interactive entertainment software in Australia and New Zealand. As consideration for the assets, we issued 40,000 shares of common stock. See Note 3 to Notes to Consolidated Financial Statements.

In August 1998, we acquired all of the outstanding capital stock of Jack of All Games, Inc., a company engaged in the distribution of interactive entertainment software, for an aggregate of 2,750,000 shares of common stock. The acquisition was accounted for as a pooling of interests and, accordingly, our consolidated financial statements have been restated to include the results of operations and financial position of Jack of All Games for all periods presented. See Note 3 to Notes to Consolidated Financial Statements.

In December 1998, we acquired all of the outstanding capital stock of Talonsoft, Inc., a company engaged in the development of historical military strategy games, in consideration of the issuance of 1,033,336 shares of common stock. The acquisition was accounted for as a pooling of interests and, accordingly our consolidated financial statements have been restated to include the results of operations and financial position of Talonsoft, Inc., for all periods presented. See Note 3 to Notes to Consolidated Financial Statements.

In February 1999, we acquired all of the outstanding capital stock of L.D.A. Distribution Limited, a company engaged in the distribution of interactive entertainment software to small retail accounts in the United Kingdom and France, and L.D.A.'s subsidiary, Joytech Europe Limited, a manufacturer of computer accessories and peripherals. Both L.D.A. and Joytech are incorporated in the United Kingdom. We paid British Pounds200,000 (approximately $328,000) and issued 580,000 shares of common stock, subject to decrease under certain circumstances. See Note 17 to Notes to Consolidated Financial Statements.

In February 1999, we purchased a 19.9% Class A limited partnership interest in Gathering. We agreed to make a capital contribution to Gathering in the aggregate amount of $4.0 million, payable in six equal monthly installments of $667,000. The general partner and each Class B limited partner of Gathering granted us 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, we issued to the general partner and the Class B limited partners 125,000 shares of common stock. We also granted to the general partner and Class B limited partners an option to purchase our Class A limited partnership interest, exercisable during the six-month period ending April 30, 2003 based on a fixed formula. See Note 17 to Notes to Consolidated Financial Statements.

In February 1999, we acquired DVDWave.com, a distributor of DVD movie titles over the Internet, in exchange for 50,000 shares of common stock. See Note 17 to Notes to Consolidated Financial Statements.

In March 1999, we acquired Funsoft Nordic A.S., a distributor and budget publisher of interactive entertainment software in Norway, Sweden and Denmark, in exchange for $98,000 in cash and 106,265 shares of common stock, subject to decrease under certain circumstances.

Results of Operations

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

	Years Ended October 31,			Three Months Ended January 31,	
	1996	1997	1998	1998	1999
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	80.4	83.7	76.0	79.4	78.4
Research and development costs	1.8	1.9	0.9	0.9	0.9
Selling and marketing	7.6	8.3	9.6	8.2	6.1
General and administrative	5.9	6.0	7.0	4.2	6.5
Depreciation and amortization	0.6	1.0	0.9	0.7	0.7
Interest expense	0.6	1.9	1.9	3.0	1.2
Income taxes	0.1	--	(0.2)	--	2.1
Net income (loss)	3.1	(2.8)	3.7	3.5	4.2

The following table sets forth the percentages of publishing revenues derived from sales of titles designed to operate on specific platforms during the periods indicated (percentages vary slightly due to rounding):

	Years Ended October 31,		Three Months Ended January 31,	
Platform	1997	1998	1998	1999
PC	87.3%	28.5%	41.4%	39.1%
Nintendo (excluding GameBoy)	8.0%	29.1%	47.8%	9.4%
Nintendo GameBoy	--	--	--	21.6%
Sony	4.8%	42.3%	10.7%	29.8%
Sega	--	--	--	--
	100.0%	100.0%	100.0%	100.0%

Three Months Ended January 31, 1999 and 1998

Net sales increased by $16,875,292, or 32.8%, from $51,405,361 for the three months ended January 31, 1998 to $68,280,653 for the three months ended January 31, 1999. The increase in net sales was primarily attributable to our expanded presence in international markets. International publishing revenues increased by $13,134,215 or 915.0%, from $1,435,453 for the three months ended January 31, 1998 to $14,569,668 for the three months ended January 31, 1999. In addition, revenues from distribution activities in the United States increased by $9,919,526, or 28.8% from $34,469,905 for the three months ended January 31, 1998 to $44,389,431 for the three months ended January 31, 1999.

Cost of sales increased by $12,740,271, or 31.2%, from $40,797,569 for the three months ended January 31, 1998 to $53,537,840 for the three months ended January 31, 1999. The increase in absolute dollars was

primarily a result of the expanded scope of our operations. Cost of sales as a percentage of net sales remained relatively constant, primarily due to the offset of higher margin international publishing activities by lower margin distribution operations. 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.

Research and development costs increased by $105,181, or 21.6%, from $486,963 for the three months ended January 31, 1998 to $592,144 for the three months ended January 31, 1999. This increase is primarily attributable to our increased product development operations. Research and development costs as a percentage of net sales remained relatively constant.

Selling and marketing expenses decreased by $69,974, or 1.7%, from $4,231,177 for the three months ended January 31, 1998 to $4,161,203 for the three months ended January 31, 1999. Selling and marketing expenses as a percentage of net sales decreased to 6.1% for the three months ended January 31, 1999 from 8.2% for the three months ended January 31, 1998. The decrease in both absolute dollars and as a percentage of net sales is primarily attributable to our acquisition of leading software distributors and the resulting shift from using third party distributors.

General and administrative expenses increased by $2,276,252, or 106.6%, from $2,135,246 for the three months ended January 31, 1998 to $4,411,498 for the three months ended January 31, 1999. General and administrative expenses as a percentage of net sales increased to 6.5% for the three months ended January 31, 1999 from 4.2% for the three months ended January 31, 1998. This increase in both absolute dollars and as a percentage of net sales is primarily attributable to salaries, rent, insurance premiums and professional fees associated with our expanded operations.

Depreciation and amortization expense increased by $76,873, or 20.4%, from $376,542 for the three months ended January 31, 1998 to $453,415 for the three months ended January 31, 1999. This increase is primarily due to the depreciation of assets acquired in March 1998.

Interest expense decreased by $731,518, or 47.3%, from $1,548,035 for the three months ended January 31, 1998 to $816,517 for the three months ended January 31, 1999. The decrease resulted primarily from amortization of discount on borrowings in 1998.

Income taxes increased by $1,404,552, from $8,648 for the three months ended January 31, 1998 to $1,413,200 for the three months ended January 31, 1999. The increase resulted primarily from the full utilization of net operating loss carryforwards in fiscal 1998.

As a result of the foregoing, our net income was $2,894,836 for the three months ended January 31, 1999, as compared to net income of $1,821,181 for the three months ended January 31, 1998.

Years Ended October 31, 1998 and 1997

Net sales increased by $96,710,341, or 99.4%, from $97,341,225 for the fiscal year ended October 31, 1997 to $194,051,566 for the fiscal year ended October 31, 1998. The increase was primarily attributable to the acquisition of product rights from BMG and Gathering. Publishing revenues increased by $73,572,671, or 417.7%, from $17,612,801 for fiscal 1997 to $91,185,472 for fiscal 1998. We also acquired leading software distributors to complement our publishing activities and to maximize product exposure and revenues. Distribution revenues increased by $23,137,670, or 29.0%, from $79,728,424 for fiscal 1997 to $102,866,094 for fiscal 1998.

For fiscal 1998, revenues from publishing and distribution activities accounted for approximately 47.0% and 53.0%, respectively, of our net sales. For this year, software products designed for PC and video game console platforms accounted for approximately 12.0% and 70.2%, respectively, of our revenues, with sales of video game hardware accounting for 11.2% of net sales. In addition, we significantly expanded our presence in international markets. International sales accounted for approximately $41,870,625, or 21.6%, of our net sales for fiscal 1998.

Cost of sales increased by $66,075,764, or 81.1%, from $81,479,408 for fiscal 1997 to $147,555,172 for fiscal 1998. The increase in absolute dollars was primarily a result of the expanded scope of our operations. Cost of sales as a percentage of net sales decreased from 83.7% for fiscal 1997 to 76.0% for fiscal 1998. This decrease was primarily due to an increase in publishing activities which provide higher margins than distribution operations.

Research and development costs decreased by $145,631, or 7.9%, from $1,847,970 for fiscal 1997 to $1,702,339 for fiscal 1998. Research and development costs as a percentage of sales decreased from 1.9% for fiscal 1997 to 0.9% for fiscal 1998. This decrease was attributable to the shift from software development to publishing and distribution. We anticipate that research and development costs will increase in absolute dollars in connection with the acquisition of Talonsoft.

Selling and marketing expenses increased by $10,643,139, or 132.3%, from $8,042,947 for fiscal 1997 to $18,686,086 for fiscal 1998. Selling and marketing costs as a percentage of net sales increased from 8.3% for fiscal 1997 to 9.6% for fiscal 1998. The increase in both absolute dollars and as a percentage of net sales was primarily due to 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 $7,721,170 or 131.7%, from $5,861,961 for fiscal 1997 to $13,583,131 for fiscal 1998. General and administrative expenses as a percentage of net sales increased from 6.0% for fiscal 1997 to 7.0% for fiscal 1998. The increase in both absolute dollars and as a percentage of net sales was primarily due to increased salaries, rent, insurance premiums and professional fees associated with recent acquisitions.

Depreciation and amortization expense increased by $830,919, or 82.8%, from $1,004,138 for fiscal 1997 to $1,835,057 for fiscal 1998. This increase was primarily attributable to the amortization of goodwill associated with the acquisitions of Take-Two Interactive Software Europe Limited, L&J Marketing, Inc., d/b/a Alliance Distributors and BMG.

Interest expense increased by $1,836,672, or 99.6%, from $1,843,403 for fiscal 1997 to $3,680,075 for fiscal 1998. The increase resulted primarily from increased borrowings during fiscal 1998.

Income taxes decreased $363,925 from a tax provision of $29,789 for fiscal 1997 to a tax benefit of $334,136 for fiscal 1998. This decrease was primarily attributable to the recognition of a deferred tax asset of $941,000.

As a result of the foregoing, we achieved net income of $7,181,094 for fiscal 1998, as compared to a net loss of $2,768,391 for fiscal 1997.

Years Ended October 31, 1997 and 1996

Net sales increased by $42,218,162, or 76.6%, from $55,123,063 for fiscal 1996 to $97,341,225 for fiscal 1997. The increase in net sales was primarily attributable to an increase in distribution revenues. Distribution revenues increased $37,965,935, or 90.9%, from $41,762,489 for fiscal 1996 to $79,728,424 for fiscal 1997. Publishing revenues increased $4,252,227 or 31.8%, from $13,360,574 for fiscal 1996 to $17,612,801 in fiscal 1997 due to the release of Mission Studio's JetFighter III in November 1996, which sold in excess of 190,000 units worldwide. For fiscal 1997, revenues from publishing and distribution activities accounted for approximately 18.1% and 81.9%, respectively, of net sales.

Cost of sales increased by $37,163,524, or 83.9%, from $44,315,884 for fiscal 1996 to $81,479,408 for fiscal 1997. The increase in absolute dollars was primarily a result of the expanded scope of our operations. Cost of sales as a percentage of net sales increased to 83.7% in fiscal 1997 from 80.4% in fiscal 1996, primarily due to the increase in distribution revenues which provided lower margins than publishing operations.

Research and development costs increased by $853,621, or 85.9%, from $994,349 for fiscal 1996 to $1,847,970 for fiscal 1997. This increase was primarily attributable to the acquisition of software developers,

Mission Studios in September 1996 and Alternative Reality Technologies in July 1997, and the increased staffing and related expenses associated with the development of software technologies. Research and development costs as a percentage of net sales remained relatively constant.

Selling and marketing expenses increased by $3,855,966, or 92.1%, from $4,186,981 for fiscal 1996 to $8,042,947 for fiscal 1997. Selling and marketing expenses as a percentage of net sales increased to 7.6% for fiscal 1996 to 8.3% for fiscal 1997. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to 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 $2,609,745, or 80.3%, from $3,252,216 for fiscal 1996 to $5,861,961 for fiscal 1997. This increase was primarily attributable to salaries, rent, insurance premiums and professional fees associated with our expanded operations. General and administrative expenses as a percentage of net sales remained relatively constant.

Depreciation and amortization expense increased by $662,006, or 193.5%, from $342,132 for fiscal 1996 to $1,004,138 for fiscal 1997. This increase was primarily due to the amortization of intangible assets that resulted from the acquisitions of Mission Studios and Take-Two Interactive Software Europe Limited.

Interest expense increased by $1,535,724, or 499.1%, from $307,679 for fiscal 1996 to $1,843,403 for fiscal 1997. The increase resulted primarily from increased borrowings from financial institutions in fiscal 1997 and from the issuance of notes to related parties in September 1996 (See Note 9b to Notes to Consolidated Financial Statements).

Income taxes decreased by $12,360, from $42,149 for fiscal 1996 to $29,789 for fiscal 1997.

As a result of the foregoing, we incurred a net loss of $2,768,391 for fiscal 1997, as compared to net income of $1,681,673 for fiscal 1996.

Liquidity and Capital Resources

Our primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of our software. We have historically financed our operations through cash flow from operations, the issuance of debt and equity securities and bank borrowings. At October 31, 1998, we had working capital of $21,797,097 as compared to working capital of $16,036,686 at October 31, 1997. The increase was primarily attributable to the acquisition of assets from BMG. At January 31, 1999 we had working capital of $25,980,469.

Net cash used in operating activities for fiscal 1998 was $8,021,841, as compared to net cash used in operating activities of $14,460,000 for fiscal 1997. The decrease was primarily attributable to net income of $7,181,094 for fiscal 1998. We used net cash in operating activities primarily to finance significantly increased levels of receivables, inventories and advances to developers. Net cash used in investing activities for fiscal 1998 was $727,418, as compared to $2,583,359 for fiscal 1997. Net cash provided by financing activities for fiscal 1998 was $9,016,664, as compared to $18,809,333 for fiscal 1997. The decrease was primarily the result of the repayment of indebtedness and a decrease in debt and equity financings in fiscal 1998.

In December 1996, Take-Two Interactive Software Europe Limited entered into a line of credit agreement, as amended in September 1997, April and July 1998 and January 1999, with Barclays Bank. The line of credit provides for borrowings of up to approximately British Pounds2,000,000 (approximately $3,347,200). Advances under the line of credit bear interest at the rate of 1.5% over Barclays' base rate per annum, payable quarterly. Borrowings are collateralized by receivables of Take-Two Interactive Software Europe Limited, which must be at least 200% of the amount outstanding under the line of credit, and are guaranteed by us. The line of credit is cancellable and repayable upon demand and is subject to review prior to December 31, 1999. The available credit under this facility was approximately British Pounds664,759 (approximately $1,112,600) at October 31, 1998. There were amounts outstanding under the line of credit as of February 28, 1999. See Note 7 to Notes to Consolidated Financial Statements.

In May 1998, we consummated a private placement pursuant to which we issued 770,000 shares of common stock and received proceeds (net of placement fees) of $5,057,000.

In February 1999, Jack of All Games entered into a line of credit agreement with NationsBank which provides for borrowings of up to $35,000,000 through September 30, 1999 and $45,000,000 thereafter. Advances under the line of credit are based on a borrowing formula equal to the lesser of (1) the borrowing limit in effect at the time (i.e., $35,000,000 or $45,000,000) or (2) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at NationsBank's prime rate plus 0.5% and is payable monthly. Borrowings under the line of credit are secured by all accounts, inventory, equipment, general intangibles, securities and other personal property of Jack of All Games. In addition to certain financial covenants, the loan agreement limits or prohibits us 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. The line of credit expires on February 28, 2001. As of March 31, 1999, $30,665,236 was outstanding under the line of credit. We intend to use a portion of the net proceeds from this offering to reduce outstanding indebtedness under this line of credit and expect to use the resulting increased borrowing availability under this line of credit to fund additional expansion.

Our accounts receivable, less an allowance for doubtful accounts and returns, at October 31, 1998 were $49,138,871. Approximately $7,344,952 or 14.9%, of our net accounts receivable were due from Ames Department Stores. These receivables are covered by insurance and generally have been collected in the ordinary course of business. Our sales are typically made on credit, with terms that vary depending upon the customer and the demand for the particular title being sold. We do not hold any collateral to secure payment by our customers. As a result, we are subject to credit risks, particularly in the event that any of our receivables represent sales to a limited number of retailers or are concentrated in foreign markets. If we are unable to collect on accounts receivable as they become due and such accounts are not covered by insurance, our liquidity and working capital position could suffer.

We have no material commitments for capital expenditures.

Fluctuations in Operating Results; Seasonality

We have experienced and may continue to experience fluctuations in operating results as a result of delays in the introduction of new titles; variations in sales of titles developed for particular platforms; the size and growth rate of the interactive entertainment software market; market acceptance of our 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 us and our 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 year-end holiday season.

International Operations

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 our revenues. For the years ended October 31, 1997 and 1998, sales in international markets accounted for approximately 5.9% and 21.6%, respectively, of our revenues. We are 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 our operating results. Sales in France and Germany are made in local currencies. We do not engage in foreign currency hedging transactions.

Impact of the Year 2000

The inability of many existing computers to recognize and properly process data as the Year 2000 approaches may cause many computer software applications to fail or reach erroneous results. Computer-controlled systems with time sensitive components that use two digits to define years may experience system failures or disruptions to operations as a result.

We have assessed potential issues that may result from the Year 2000 and are in the process of upgrading our accounting and management software, which we expect to complete by June 1999. Based on our preliminary assessment, we believe our PC products to be Year 2000 compliant. We do not contemplate incurring material costs in connection with ensuring Year 2000 readiness.

We have contacted principal third-party suppliers and customers to determine their Year 2000 readiness and believe that such suppliers and customers are in the process of becoming Year 2000 compliant. However, any failure by us, our third-party suppliers or customers to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain of our business operations. We have not yet adopted a Year 2000 contingency plan.

INDUSTRY OVERVIEW

The market for interactive entertainment software has grown significantly in recent years, due in part to an increasing installed base of PCs, video console platforms and hand-held systems such as the Nintendo GameBoy Color. Steadily declining hardware prices combined with more powerful and realistic computer graphics have resulted in greater demand for software games by audiences of all ages.

According to the NPD Group (NPD), total U.S. sales of interactive entertainment software reached $4.9 billion in 1998, an increase of 25.6% from $3.9 billion in 1997.

Increasing Sales of PC Systems. The International Data Corporation (IDC) has estimated that the number of U.S. households owning a PC would reach 46 million in 1998, representing a penetration rate of 45.5% of total U.S. households. As the price of PC hardware continues to drop below $1,000, IDC estimates that approximately 56 million households in the U.S. will own a PC by 2002, representing a penetration rate of 53% of total U.S. households. The worldwide increase in penetration and sales of PC systems has caused demand for PC entertainment software to grow. According to NPD, U.S. sales of PC entertainment software were $1.2 billion in 1998.

Increasing Sales of Video Console Platforms. Three manufacturers of video console platforms, Sony, Nintendo and Sega, have historically dominated the video console market. According to IDC, U.S. console shipments are expected to grow 14% from 15.3 million in 1997 to 17.5 million in 1998. The growth in shipments of video console systems has driven a rapid expansion of console software revenues. NPD data indicates that sales of entertainment software for video console platforms and portable systems increased by 37.1% from $2.7 billion in 1997 to $3.7 billion in 1998.

Expanding Distribution Channels. Historically, interactive entertainment software has been sold primarily through specialty retailers such as Electronics Boutique, major retailers such as Best Buy and mass merchants such as Wal-Mart. The introduction of budget-priced software (software priced at less than $15) has attracted a wider user base, and non-traditional retail outlets such as drugstore and supermarket chains have been emerging as important new distribution channels for interactive entertainment software. According to PC Data, 36% of interactive entertainment software games sold in 1998 for use on PCs were budget-priced titles. Although the number of distribution channels for software titles has increased, an abundance of new software titles has forced retailers to be highly selective in allocating shelf space. Competition for shelf space has intensified as retailers continue to carry a limited number of software products that they expect to sell in high volumes.

Technology and Platform Shifts. Historically, the interactive entertainment software industry has experienced periods of instability when new console platforms fail to gain widespread acceptance or when development and publishing companies fail to quickly adapt to changing consumer hardware preferences. Sony has recently announced the creation of the next generation of the PlayStation game console, which it plans to introduce in 2000. Sega has introduced its Dreamcast system in Japan and plans to introduce it in the U.S. and Europe later this year. Nintendo has stated that it is in the process of developing a new video game platform. As a result, interactive entertainment software companies may be required to make investments in research, game development and inventory in order to supply products for new platforms. Industry sources have suggested that the substantial installed base of multimedia PCs, the mass market appeal and expanding user base of interactive entertainment software and the increasing use of cost-effective CD-ROMs may diminish the effects of future console platform shifts. In addition, Sony has announced that the next generation of the PlayStation game console will be the first console system to feature backwards compatibility with existing PlayStation software, allowing consumers to play their old PlayStation games on the new system. This feature may lessen the impact of console shifts by extending the useful life of older software titles.

We are a leading developer, publisher and distributor of interactive entertainment software. Our software operates on multimedia PCs, video game console platforms manufactured by Sony, Nintendo and Sega and Nintendo's GameBoy Color hand-held gaming system. Through internal expansion and several strategic acquisitions, we have become one of the largest distributors of interactive entertainment software in the United States and one of the top ten publishers of interactive entertainment software in Europe.

In recent years we have achieved significant growth in sales and net income. Our revenues increased to $194.1 million for the year ended October 31, 1998 from $97.3 million for the year ended October 31, 1997. We generated earnings of $7.2 million for the year ended October 31, 1998, as compared to a loss of $2.8 million for the year ended October 31, 1997.

Our Strategy

Our objective is to achieve growth and increase profitability by developing high-quality interactive entertainment software and capitalizing on our distribution expertise. Our strategy includes:

o Acquiring and developing a portfolio of high-quality content. We believe that our success depends on our ability to continue to develop and license original and compelling software games with broad consumer appeal. We believe that our publishing and distribution capabilities attract software publishers and developers with popular software content. We plan on continuing to build a varied portfolio of internally and externally developed titles to minimize our reliance on any individual software title or platform.

o Establishing and building strong brand recognition through co-branding and cross-promotional opportunities. We believe that the shared demographics between some of our software titles and various industries such as music, magazines and sports provide excellent opportunities to build strong brand recognition through co-branding and cross-promotional initiatives. We believe that the development of strong brand recognition can lead to increased market acceptance of new titles and allow for a greater number of franchise titles or titles that can be exploited beyond their initial release. We plan to use our recently developed interactive entertainment software label, Rockstar Games, as the focal point of this strategy.

o Distributing software to a broader range of consumers. We distribute titles at different price points, ranging from high-end "front line" titles to lower-priced "budget" titles, to a variety of traditional and non-traditional retailers, including drug and grocery store chains. We intend to position our titles for a broad range of consumers through different distribution techniques, including through the continued acquisition and distribution of budget-priced titles to non-traditional retail outlets on an exclusive basis.

o Continuing to expand our international operations. We have developed a strong international distribution network, which we believe serves as a complement to our development and publishing activities and enables us to develop direct selling relationships with certain retail accounts. We intend to apply the distribution strategy of Jack of All Games to our international operations in addition to increasing our publishing and direct distribution activities.

o Using our integrated and diversified operations to manage industry changes. We have established integrated software development, publishing and distribution capabilities. We will continue to coordinate these activities to capitalize on rapidly expanding market opportunities, to minimize our exposure to industry changes and our dependence on the success of individual titles and to take advantage of economies of scale.

o Developing multi-player on-line gaming and pursuing distribution opportunities over the Internet. We are currently developing a multi-player on-line version of Grand Theft Auto and we intend to develop additional multi-player on-line versions of certain of our titles in the near future. Through our recent acquisition of DVDWave.com, we are pursuing opportunities to distribute DVD products over the Internet.

Recent Releases

We actively seek to release titles with potential for mass appeal. For the year ended October 31, 1997, the JetFighter series sold more than 190,000 copies and with Dark Colony accounted for approximately 8.1% and 2.2%, respectively, of our revenues. For the year ended October 31, 1998, Grand Theft Auto sold more than 630,000 copies and with Three Lions Soccer accounted for approximately 7.6% and 4.0%, respectively, of our revenues. The following are certain titles we have released:

Title	Platform	Release Date	Description
JetFighter III	PC	November 1996	3-D military flight simulation game
Dark Colony	PC	August 1997	Strategy game set on Mars in 2026
Jetfighter Platinum	PC	October 1997	Technologically advanced version
Wheel of Fortune	Nintendo 64	November 1997	Popular TV game show
Jeopardy!	Nintendo 64	February 1998	Popular TV game show
Three Lions Soccer	PC, PlayStation	April 1998	Featuring England's World Cup soccer team
You Don't Know Jack!	PC	May 1998 (Europe)	Popular trivia game
Grand Theft Auto	PC, PlayStation	June 1998	Car game set in criminal underworld
Railroad Tycoon II	PC	October 1998	Player builds railroads to amass wealth
Space Station: Silicon Valley	Nintendo 64	October 1998	Save the world from mutant animals
Tom Clancy's Rainbow Six	PC	October 1998 (Europe)	Save the world from terrorists
West Front	PC	November 1998	Historical battle game from Talonsoft
Montezuma's Return	GameBoy Color	December 1998	Classic adventure game

Proposed Releases

Monster Truck Madness, Earthworm Jim 3-D and Grand Theft Auto II are expected to account for a significant portion of our publishing revenues for the year ending October 31, 1999. The following is our currently proposed schedule of certain title releases:

Title	Platform	Release Date	Description
GTA: London 1969	PC, PlayStation	Spring 1999	First mission pack for Grand Theft Auto
Fly!	PC	Spring 1999	Flight simulation
Railroad Tycoon II	PlayStation	Summer 1999	Player builds railroads to amass wealth
Monster Truck Madness	Nintendo 64	Summer 1999	Microsoft's successful PC game
In Fisherman's Bass Hunter 64	Nintendo 64, GameBoy Color	Summer 1999	Fishing simulation game

Title	Platform	Release Date	Description
Earthworm Jim 3-D	Nintendo 64, PlayStation	Summer 1999 (North America)	Everyone's favorite earthworm, now in 3-D
Darkstone	PC, PlayStation	Summer 1999 (North America)	Medieval action role-playing game
Max Payne	PC, Sega Dreamcast	Fall 1999	Gritty, noir third-person action/shooter
JetFighter IV	PC	Fall 1999	Includes state-of-the-art photo textures, advanced networking and Internet support
Grand Theft Auto II	PC, PlayStation, Nintendo 64, GameBoy Color	Fall 1999	Sequel to the popular Grand Theft Auto
Spec Ops	PlayStation	Fall 1999	Military combat action
Wild Metal Country	PC, Sega Dreamcast	Fall 1999	Futuristic high-tech action game
Kiss: Psycho Circus	PC, PlayStation, GameBoy Color	Spring 2000	Rock and roll 3-D shooter
Thrasher: Skate and Destroy	PlayStation	Spring 2000	Urban extreme skateboarding game
GTA II: Berlin	PC, PlayStation	Spring 2000	Misson pack for Grand Theft Auto II
Duke Nukem (untitled)	TBA	Fall 2000	Popular 3-D shooter

Our proposed titles may not be released on a timely basis, or at all.

Publishing and Distribution Arrangements

Agreements with Gathering

In May 1998, we entered into distribution agreements with Gathering of Developers, a group of six premier entertainment software developers, Ritual Entertainment, Inc., Epic MegaGames, Inc., Terminal Reality, Inc., Apogee Software, Inc./3D Realms Ltd., Poptop Software, Inc. and Edge of Reality, Inc. Pursuant to the distribution agreements, Gathering granted us: (1) the exclusive right to distribute its first ten titles, including Railroad Tycoon II, Fly!, Max Payne, Nocturne and Kiss: Psycho Circus designed to operate on PC platforms in the United States and Canada during the later of a four-year period or three years following the release of any such title; (2) exclusive European publishing rights for these titles; (3) a non-exclusive right to distribute the titles on-line; and (4) certain rights of first refusal to distribute the titles designed for use on console platforms in North America, Europe, Israel, Australia and Africa. In December 1998, we obtained the exclusive worldwide rights to publish and distribute Railroad Tycoon II, Max Payne and Kiss: Psycho Circus designed for use on video game console platforms.

In February 1999, we entered into a distribution agreement with Gathering amending our May 1998 agreement. Gathering granted us: (1) the exclusive right to distribute in the United States and Canada all titles designed by Gathering to operate on PC platforms and scheduled to be released by May 31, 2003; (2) the exclusive right to publish in Europe all titles designed by Gathering to operate on PC platforms and scheduled to be released by May 31, 2003; (3) until recoupment of the advances described below, rights of first and last refusal for the exclusive worldwide publishing rights to any console version of titles for which Gathering has

publishing rights; and (4) after recoupment of such advances, the rights of first and last refusal for publishing rights to any console port of any title for which Gathering has publishing rights and which was originally published by or on behalf of Gathering on the PC or other non-console platform.

This agreement obligates us to pay Gathering recoupable advances of $12,500,000. We can terminate the agreement with respect to a particular title in the event Gathering fails to deliver a title 60 days after its delivery date specified in the agreement or Gathering otherwise materially breaches the agreement. In any such event, Gathering is obligated to pay us the un-recouped portion of the advance attributable to a particular title. In addition, Gathering may terminate the agreement with respect to a particular title in the event we materially breach the agreement and, upon any subsequent two material breaches, may terminate the entire agreement.

Agreements with Video Game Console Manufacturers

In March 1999, we entered into four-year agreements with Sony Computer Entertainment America granting us non-exclusive, nontransferable licenses to develop and publish software on CD-ROMs for use on the PlayStation platform in the United States and Canada. Under the agreements, Sony is the exclusive manufacturer of all CD-ROMs for PlayStation titles.

In February 1998, we entered into a three-year agreement with Nintendo of America Inc. granting us a non-exclusive license in North, Central and South America to develop and sell software games incorporated in game cartridges for use on the Nintendo 64 game system. The agreement requires Nintendo to approve detailed title proposals as well as completed games, all associated artwork and marketing materials. We retain the right to adapt any games for sale on other platforms. We are obligated to pay Nintendo Co., Ltd., Nintendo's parent, to manufacture, print and package all games we develop pursuant to the agreement, which prices include royalties. In May 1998, Nintendo Co., Ltd. entered into a similar three-year agreement with our subsidiary, Take-Two Interactive Software Europe Limited granting us a non-exclusive license in Europe, Australia and New Zealand to develop and sell software games incorporated in game cartridges for use on the Nintendo 64 game system. In April 1998, we entered into an agreement with Nintendo granting us a non-exclusive right to develop software games for use on Nintendo GameBoy and GameBoy Color portable video game systems.

We are currently negotiating an agreement with Sega Enterprises, Ltd. which will grant us a non-exclusive, non-transferable license to develop, market and distribute software designed to operate on the Sega Dreamcast system, formerly known as the Sega Katana platform.

We are not required to obtain any license for the development and production of titles designed to operate on PCs.

Other Publishing and Distribution Arrangements

In March 1998, we acquired certain publishing and distribution rights from BMG, including (1) the worldwide publishing and distribution rights and copyright to Grand Theft Auto for PC and PlayStation platforms, (2) the worldwide publishing and distribution rights and intellectual property rights to Space Station: Silicon Valley for the Nintendo 64 gaming system, (3) the European distribution rights to PC recreational software titles including Berkley Systems' After Dark screen saver series, You Don't Know Jack! trivia series, gaming franchises such as Crystal Dynamic's Gex and Pandemonium series for the PlayStation game console and ASC Games' One for the PlayStation game console, (4) the worldwide publishing and distribution rights to a series of sales region customized World Cup soccer games for the PlayStation game console, (5) the worldwide publishing, distribution and sequel rights to the role-playing game Monkey Hero for PlayStation and PC platforms and (6) the worldwide publishing, distribution and sequel rights to the military combat game Special Ops for PlayStation and PC platforms.

Other agreements to develop, publish and distribute software titles include: the grant by Interplay Entertainment Corp. of the exclusive right to market, publish and distribute Nintendo 64 and PlayStation versions of Earthworm Jim 3-D in North and South America; the exclusive worldwide license from Microsoft, Inc. to distribute a version of Monster Truck Madness 2 designed to operate on the Nintendo 64 platform; and the grant by Majesco Sales, Inc. of exclusive European distribution rights for ten Nintendo Color GameBoy titles, including Monopoly, Millipede, Frogger, Centipede, Breakout, Battleship and Missile Command, licensed to Majesco by Hasbro Interactive.

Internal Software Development

We engage in software development activities through our wholly-owned U.S. development subsidiaries, Talonsoft (a developer of historical military strategy games), Mission Studios (a developer of flight simulation games), Alternative Reality Technologies and GearHead Entertainment. We also maintain a development studio focusing on games for the Nintendo GameBoy Color platform in the United Kingdom under the name Tarantula. Our internal development studios and product development department employ a total of 89 development personnel with the technical capabilities to develop software titles for all major game platforms.

Our production process is designed to enable us to manage and control development, production budgets and timetables, identify and address possible production and technical issues and coordinate and implement marketing strategies in a creative environment. We utilize an integrated scheduling and production process and software development tools, which include capabilities to produce cinematic quality movie sequences, full motion digital video and enhanced "real-time" 3-D graphics. We believe that our production capabilities permit us to produce high quality software on a timely and cost-effective basis.

For the years ended October 31, 1997 and 1998, we incurred costs of $1,847,970 and $1,702,339 on research and development relating to our software titles.

Marketing, Sales and Distribution

Our marketing and promotional efforts are intended to maximize exposure and broaden distribution of our titles, promote brand name recognition, assist retailers and properly position, package and merchandise our titles. We market titles by implementing aggressive public relations campaigns using print and on-line advertising. Advertisements are placed in industry magazines using memorable tag lines, visually appealing full color art work and creative concepts to position and distinguish our titles in the marketplace. We also employ various other marketing methods designed to promote consumer awareness, including in-store promotions and point-of-purchase displays, direct mail, cooperative advertising, attendance at trade shows, as well as the use of distinctive packaging. We maintain a sales and marketing staff of 81 persons.

We distribute both our own titles and titles developed by third parties through our wholly-owned subsidiaries, Take-Two Interactive Software Europe Limited, Jack of All Games, Inventory Management Systems, Inc., DirectSoft, L.D.A. Distribution Limited, DVDWave.com and Funsoft Nordic A.S. For the year ended October 31, 1998, the sale of third-party products accounted for approximately 53.0% of our revenues. For the year ended October 31, 1998, sales to Hollywood Entertainment and Ames Department Stores accounted for approximately 6.5% and 5.5%, respectively, of our revenues. No customer accounted for more than 10% of our revenues for that year.

United States Sales. We distribute interactive entertainment software to over 20,000 retail outlets in the United States through third party distributors and through direct relationships with large retail customers. Our U.S. customers include WalMart, Toys R Us, Electronics Boutique, Babbage's, Best Buy and Ames Department Stores as well as leading national and regional drug store, supermarket and discount store chains and specialty retailers.

International Sales. We have significantly expanded our international presence through the acquisition of publishing and distribution operations in the United Kingdom, France, Germany, Norway, Sweden, Denmark and Australia. We distribute interactive entertainment software to over 19,000 retail outlets in Europe, through third party distributors and through direct relationships with retail customers in the United Kingdom, France and Germany. We recently opened a licensing office in Japan. Sales in foreign markets have accounted for an increasing portion of our revenues.

Development of Rockstar Games. We have begun to actively pursue relationships with participants in industries such as music, magazines and sports aimed at the youth market through our internal console software publishing label, Rockstar Games. We believe that the shared demographics between various media and some of our software titles marketed by Rockstar Games provide excellent cross-promotional opportunities. We have been working with popular and emerging recording artists to create sophisticated game soundtracks, have entered into agreements to license high-profile names and likenesses, and are exploring co-branding opportunities. Our goal is to accelerate the acceptance and growth of our titles, create brand awareness and develop a greater number of franchise titles.

Manufacturing

Our production of PC software includes CD-ROM pressing, assembly of components, printing of packaging and user manuals and shipping of finished goods, which is performed by third-party vendors in accordance with our specifications and forecasts. We believe that there are alternative sources for these services that could be implemented without delay. However, we are dependent on Nintendo to provide supplies of video game cartridges and on Sony to provide supplies of CD-ROMs for use on their video game platforms on a timely basis and on favorable terms. Nintendo cartridges are more expensive to manufacture than CD-ROMs, resulting in a greater inventory risk for those games. We purchase titles manufactured by Nintendo and Sony by placing purchase orders in the ordinary course of business and by obtaining letters of credit in favor of Nintendo. We send software code and a prototype of a title, together with related artwork, user instructions, warranty information, brochures and packaging designs to manufacturers for approval, defect testing and manufacturing. Titles are generally shipped within two weeks of receipt of order. Titles manufactured by Nintendo are generally shipped within four to six weeks of receipt of order. To date, we have not experienced any material difficulties or delays in the manufacture of our titles or material delays due to title defects. Our software titles carry a 90-day limited warranty. In addition, our subsidiary Joytech Europe Limited manufactures computer accessories and peripherals.

Competition

We compete both for licenses to properties and the sale of interactive entertainment software with Sony, Nintendo and Sega, each of which is the largest developer and marketer of software for its platforms. Sony and Nintendo currently dominate the industry and have the financial resources to withstand significant price competition and to implement extensive advertising campaigns, particularly for prime-time television. These companies may also increase their own software development efforts.

We also compete with domestic companies such as Activision, Electronic Arts, GT Interactive, Acclaim Entertainment, THQ, Midway Games, Hasbro, Microsoft and Mattel and international companies such as Capcom, Konami and Namco. In addition, we believe that large software companies and media companies are increasing their focus on the interactive entertainment software market. Many of our competitors are developing on-line interactive games and interactive networks that will compete with our software. Many of our competitors have far greater financial, technical, personnel and other resources than we do, and many are able to carry larger inventories, adopt more aggressive pricing policies and make higher offers to licensors and developers for commercially desirable properties than we can.

Interactive entertainment software distribution channels have undergone rapid change in recent years, including financial difficulties of certain retailers and the emergence of new channels for distribution of software such as mass merchandisers, other retail outlets and the Internet. An increasing number of companies and new market entrants are competing for access to these channels.

Retailers typically have limited shelf space and promotional resources, and competition is intense among an increasing number of newly introduced entertainment software titles for adequate levels of shelf space and promotional support. Competition for retail shelf space is expected to increase, which may require us to increase our marketing expenditures just to maintain current levels of sales of our titles. Competitors with more extensive lines and popular titles frequently have greater bargaining power with retailers. Accordingly, we may not be able to achieve the levels of support and shelf space that such competitors receive. Similarly, as competition for popular properties increases, our cost of acquiring licenses for such properties is likely to increase, possibly resulting in reduced margins. Prolonged price competition, increased licensing costs or reduced operating margins would cause our profits to decrease significantly.

Competition for our titles is influenced by the timing of competitive product releases and the similarity of such products to our titles and may result in loss of shelf space or a reduction in sell-through of our titles at retail stores. Our titles also compete with other forms of entertainment such as motion pictures, television and audio and video cassettes featuring similar themes, on-line computer programs and forms of entertainment which may be less expensive or provide other advantages to consumers.

Intellectual Property

We develop proprietary software and technologies and have obtained the rights to publish and distribute software developed by third parties. We attempt to protect our software and techniques under copyright, trademark and trade secret laws as well as through contractual restrictions on disclosure, copying and distribution. We generally do not hold any patents or registered copyrights.

Interactive entertainment software is susceptible to unauthorized copying. Unauthorized third parties may be able to copy or to reverse engineer our titles to obtain and use programming or production techniques that we regard as proprietary. In addition, our competitors could independently develop technologies substantially equivalent or superior to our technologies.

As the amount of interactive entertainment software in the market increases and the functionality of this software further overlaps, we believe that interactive entertainment software will increasingly become the subject of claims that such software infringes the copyrights or patents of others. From time to time, we receive notices from third parties alleging infringement of their proprietary rights. Although we believe that our titles and technologies and the titles and technologies of third-party developers and publishers with whom we have contractual relations do not and will not infringe or violate proprietary rights of others, it is possible that infringement of proprietary rights of others may occur. Any claims of infringement, with or without merit, could be time-consuming, costly and difficult to defend.

Employees

As of March 31, 1999, we had 292 full-time employees, including five executive officers, 89 employees engaged in product development, 81 in sales and marketing and 117 in operations. None of our employees are subject to a collective bargaining agreement. We consider our relations with employees to be good.

Subsidiaries

Our subsidiaries include: (1) our domestic distribution subsidiaries: Inventory Management Systems, Inc., Jack of All Games, Inc. and Falcon Ventures Corporation d/b/a DVDWave.com; (2) our international publishing and distribution subsidiaries: Take-Two Interactive Software Europe Limited, Take-Two Interactive France, S.A. (France), Take-Two Interactive GMBH (Germany), DirectSoft Australia Pty. Limited, L.D.A. Distribution Limited, Funsoft Nordic A.S., Jack of All Games Norway, Jack of All Games Sweden and Jack of All Games Denmark; (3) our domestic development subsidiaries: GearHead Entertainment, Inc., Mission Studios, Inc., Talonsoft, Inc. and Alternative Reality Technologies, Inc. (4) and our international accessory subsidiary: Joytech Europe Limited.

Properties

Executive Offices

Our principal executive and administrative office is located at 575 Broadway, New York, New York in approximately 5,000 square feet of office space under a lease with 575 Broadway Corporation, a company controlled by Peter M. Brant, a principal stockholder. We currently pay $14,864 per month rent, subject to annual consumer price index adjustments. We intend to relocate our executive offices to 10,000 square feet of office space in May 1999 under a new five-year lease with 575 Broadway Corporation which provides for an annual rent of $300,000 during the first five years. We believe that the terms of the lease are no less favorable than those that could have been obtained from an unaffiliated third-party.

International Operations

Take-Two Interactive Software Europe Limited leases 6,000 square feet of office space in Windsor, United Kingdom. The lease provides for a current annual rent of British Pounds100,000 (approximately $168,000) and expires in August 2006. Take-Two Interactive Software Europe Limited also leases office space in Lincoln, United Kingdom. The lease provides for a current annual rent of British Pounds12,000 (approximately $20,200) and expires in 2007. Subsidiaries of Take-Two Interactive Software Europe Limited lease office and warehouse space at locations in Paris, France, Munich, Germany and Tokyo, Japan for current aggregate annual rent of

approximately $90,000. Directsoft leases office and warehouse space in Hornsby, Australia at an annual rent of approximately $76,000. Joytech Europe Limited leases office space in Leighton Buzzard Beds, United Kingdom at an annual rent of British Pounds58,600 (approximately $98,400). Funsoft Nordic A.S. and its subsidiaries lease office and warehouse space at locations in Oslo, Norway, Spanga, Sweden and Arthus, Denmark for current aggregate annual rent of approximately $180,000.

Development Facilities

GearHead maintains a production facility in Latrobe, Pennsylvania in 7,200 square feet of leased office space. The lease provides for an annual rent of $78,000 and expires in December 1999, with an option to renew the lease for an additional four-year period. Mission leases 2,600 square feet of office space at an annual rate of $53,040, subject to annual increases, pursuant to a lease that expires in February 2004. ART leases approximately 2,500 square feet of space in Ontario, Canada at an annual rental of $32,400. Talonsoft leases approximately 3,800 square feet of office space in Baltimore, Maryland. Talonsoft currently pays $42,800 per annum under the lease, which expires in April 1999.

Distribution Facilities

Inventory Management Systems, Inc. leases approximately 10,000 square feet of office and warehouse space in Richmond, Virginia at an annual rental of $67,000. Jack of All Games leases approximately 13,000 square feet of office and warehouse space in College Point, New York. The lease provides for annual rent of $96,000, plus increases in real estate taxes, and expires in July 2001. Jack of All Games leases approximately 64,000 square feet of office and warehouse space in Cincinnati, Ohio. Jack of All Games currently pays $225,000 per annum, plus taxes and insurance, under the lease, which expires in July 2002. Jack of All Games also leases 20,400 square feet of warehouse space in Cincinnati, Ohio on a month-to-month basis at a cost of $5,525 per month.

Directors and Executive Officers

Our directors and executive officers are:

Name	Age	Position
Ryan A. Brant	27	Chief Executive Officer and Director
Kelly Sumner	37	Vice President of International Operations and Director
Anthony R. Williams	40	Chief Operating Officer and Director
Larry Muller	41	Chief Financial Officer
Barbara A. Ras	36	Chief Accounting Officer and Secretary
Oliver R. Grace, Jr	45	Director
Neil S. Hirsch	51	Director
Robert Flug	51	Director

Ryan A. Brant, our founder, has been Chief Executive Officer and a director since our inception. Mr. Brant received a B.S. degree in Economics from the University of Pennsylvania's Wharton School of Business.

Kelly Sumner has been a director since December 1997. Mr. Sumner has been President of Take-Two Interactive Software Europe Limited, our subsidiary, since July 1997 and our Vice President of International Operations since February 1999. Prior thereto, from April 1993 to July 1997, Mr. Sumner was President and Chief Operating Officer of Gametek, Inc. From June 1979 to April 1993, Mr. Sumner was Managing Director of the UK subsidiary of Commodore Business Machines.

Anthony R. Williams has been a director since March 1998. Mr. Williams has been our Chief Operating Officer since February 1998. Prior to joining us, Mr. Williams was employed in various positions at Acclaim Entertainment from April 1988 to February 1998, most recently as Executive Vice President, Mergers and Acquisitions. Mr. Williams also serves as a director of the Near East Foundation. Mr. Williams received a B.A. in Economics from Cambridge University.

Larry Muller has been our Chief Financial Officer since January 1999 and Chief Financial Officer and Chief Operating Officer of Alliance Inventory Management, Inc. since December 1997. Mr. Muller co- founded Alliance Distributors in 1989 and served as its Chairman and Chief Financial Officer until we acquired Alliance Distributors in December 1997. Mr. Muller received a B.A. in Economics from Stonybrook University in 1979.

Barbara A. Ras, CPA, has served as our Chief Accounting Officer since October 1998 and our Secretary since April 1997. From October 1994 to October 1998, Ms. Ras served as our Controller. Prior to joining us, Ms. Ras was employed as a tax accountant from September 1992 to September 1994, and as an internal auditor with The New York Times Company from March 1988 to June 1991. Ms. Ras holds a B.S. degree in Accounting from St. John's University, and a Masters degree in Taxation from the State University of New York at Albany.

Oliver R. Grace, Jr. has been a director since April 1997. Mr. Grace, a private investor, has been the Chairman of the Board of Andersen Group, Inc., a dental products and video broadcasting equipment manufacturing company, since 1990. Mr. Grace has also been a director of Republic Automotive Parts, Inc., a distributor of replacement parts for the automotive aftermarket, since 1982. Mr. Grace is a general partner of Anglo American Security Fund, L.P., a private investment fund.

Neil S. Hirsch has been a director since May 1995. Mr. Hirsch has been the President and Chief Executive Officer of Loanet, Inc., a worldwide communications network managing securities lending transactions of banks and brokerage firms since March 1994. From 1969 to January 1990, Mr. Hirsch was Chairman, Chief Executive Officer and President of Telerate, Inc., a financial information provider, which was acquired by Dow Jones & Co. Inc. Mr. Hirsch served as a consultant to Telerate, Inc. until September 1993. Mr. Hirsch served on the Board of Directors of Dow Jones & Co. Inc. from 1990 to May 1993. Mr. Hirsch was elected to the Information Industry Hall of Fame in 1985.

Robert Flug has been a director since February 1998. Mr. Flug has been the President and Chief Operating Officer of S.L. Danielle, a women's apparel company, since September 1987. Mr. Flug received a B.S. in Business Administration from New York University.

Key Employee

Sam Houser, 27, has been the President of our publishing label Rockstar Games since its inception in November 1998 and our Vice-President of Worldwide Product Development since March 1998. Prior to joining us, Mr. Houser served for over eight years in the London office of BMG Entertainment, where he was in charge of product development for the international office of BMG's Interactive Division and served as an in-house music video director on projects for many of BMG's leading artists. Mr. Houser received a B.A. in German and Business from the University of London.

EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid during the fiscal years ended October 31, 1996, 1997 and 1998 to our Chief Executive Officer and our four most highly compensated executive officers other than our Chief Executive Officer (each of whom was serving at the end of our fiscal year ended October 31, 1998). We refer to these executive officers below as our "Named Executives."

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Award
Name and Principal Position	Year Ended October 31,	Salary($)	Bonus($)	Other Annual Compensation(1)	Securities Underlying Options(#)
Ryan A. Brant					
Chief Executive Officer	1998	158,667	218,785	--	--
	1997	125,000	--	--	50,000(2)
	1996	119,319	--	--	--
Larry Muller					
Chief Financial Officer(3)	1998	161,933	25,122	--	20,000(2)
Anthony R. Williams					
Chief Operating Officer(4)	1998	164,039(5)	--	--	150,000(6)
Barbara A. Ras					
Chief Accounting Officer and Secretary	1998	114,167	--	--	30,000(2)
	1997	100,000	10,000	--	25,000(2)
	1996	82,233	--	--	--
Kelly Sumner					
Vice President of International Operations(7)	1998	166,220	119,175	--	125,000(8)
	1997	43,447	51,016	--	--

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(1) The aggregate value of benefits to be reported under the "Other Annual Compensation" column did not exceed the lesser of $50,000 or 10% of the total of annual salary and bonus reported for the Named Executives.
(2) Represents options granted under our 1997 Stock Option Plan.
(3) Mr. Muller joined us in December 1997.
(4) Mr. Williams joined us in February 1998.
(5) Includes $15,200 paid as consulting fees prior to employment with us.
(6) Represents options to purchase 120,000 shares granted under our 1997 Stock Option Plan and non-plan options to purchase 30,000 shares.
(7) Mr. Sumner joined us in July 1997.
(8) Represents options to purchase 85,000 shares granted under our 1997 Stock Option Plan and non-plan options to purchase 40,000 shares.

The following table sets forth information concerning options granted in the fiscal year ended October 31, 1998 to the Named Executives:

Option Grants in Fiscal Year Ended October 31, 1998

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year(%)	Exercise Price ($/Sh)	Expiration Date	5%($)	10%($)
Ryan A. Brant	--	--	--	--	--	--
Larry Muller	20,000	1.2	5.1875	8/31/2003	28,600	63,400
Anthony R. Williams	30,000		2.50	8/31/2003	20,700	45,900
	120,000	9.1	5.1875	8/31/2003	171,600	380,400
Barbara A. Ras	30,000	1.8	5.1875	8/31/2003	42,900	95,100
Kelly Sumner	40,000		5.00	12/31/2002	55,200	122,000
	85,000	7.6	5.1875	12/31/2002	121,550	269,450

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(1) The potential realizable value columns of the table illustrate values that might be realized upon exercise of the options immediately prior to their expiration, assuming our common stock appreciates at the compounded rates specified over the term of the options. These numbers do not take into account provisions of certain options providing for termination of the option following termination of employment or nontransferability of the options and do not make any provision for taxes associated with exercise. Because actual gains will depend upon, among other things, future performance of the common stock, there can be no assurance that the amounts reflected in this table will be achieved.

The following table sets forth information concerning the value of options exercised during the fiscal year ended October 31, 1998 and the value of unexercised stock options held by the Named Executives as of October 31, 1998:

Aggregated Option Exercises and Year End Values

			Number of Securities Underlying Unexercised Options at October 31, 1998 (#)		Value of Unexercised In-the-Money Options at October 31, 1998 ($)*	
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Ryan A. Brant	112,000	642,960	391,880	30,000	2,095,090	30,000
Larry Muller	--	--	--	20,000	--	26,250
Anthony R. Williams	--	--	--	150,000	--	277,500
Barbara A. Ras	--	--	70,243	25,000	205,844	35,625
Kelly Sumner	--	--	10,000	115,000	15,000	156,563

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* Year-end values for unexercised in-the-money options represent the positive spread between the exercise price of such options and the fiscal year-end market value of the common stock, which was $6.50 on October 31, 1998.

Director Compensation

Non-employee directors currently receive no cash compensation for serving on the Board of Directors other than reimbursement of reasonable expenses incurred in attending meetings. In December 1998, we issued Mr. Flug options to purchase 10,000 shares of common stock at a price of $5.875 per share.

Employment Agreements

Ryan A. Brant entered into an employment agreement with us for a five-year term commencing August 1, 1998. Pursuant to the employment agreement, Mr. Brant agreed to devote his full time to our business as our Chief Executive Officer. The employment agreement provides that Mr. Brant is entitled to receive a base salary of $233,000 and a bonus equal to $20,000 per fiscal quarter in the event we achieve certain earnings levels. We also agreed to issue to Mr. Brant options to purchase 100,000 shares of common stock at an exercise price of $6.25 per share. In the event the employment agreement is terminated under certain circumstances (including in the event of a change of control), Mr. Brant will be entitled to receive certain severance compensation. Mr. Brant's employment agreement contains confidentiality and non-compete provisions.

Anthony R. Williams entered into an employment agreement with us for a three-year term commencing August 1, 1998. Mr. Williams agreed to devote his full time to our business as our Chief Operating Officer. The agreement provides that Mr. Williams is entitled to receive a base salary of $233,000 and a bonus based on our financial performance. In the event the employment agreement is terminated under certain circumstances (including in the event of a change of control), Mr. Williams will be entitled to receive certain severance compensation. Mr. Williams' employment agreement contains confidentiality and non-compete provisions.

Larry Muller entered into an employment agreement with us for a three-year term commencing January 29, 1999. Mr. Muller agreed to devote his full time to our business as our Chief Financial Officer. The agreement provides that Mr. Muller is entitled to receive a base salary of $233,000 and a bonus based on our financial performance. We also agreed to issue to Mr. Muller options to purchase 10,000 shares of common stock at an exercise price of $5.875 per share. In the event the employment agreement is terminated under certain circumstances (including in the event of a change of control), Mr. Muller will be entitled to receive certain severance compensation. Mr. Muller's employment agreement contains confidentiality and non-compete provisions.

In July 1997, Take-Two Interactive Software Europe Limited, our wholly-owned subsidiary, entered into an employment agreement (as amended) with Kelly Sumner, an executive officer of Take-Two Interactive Software Europe Limited, our Vice President of International Operations and one of our directors, pursuant to which Mr. Sumner agreed to devote his full time as President and Managing Director for a three-year term. The agreement provides that Mr. Sumner is entitled to an annual salary of $233,000 and a bonus equal to $15,000 per fiscal quarter in the event Take-Two Interactive Software Europe Limited achieves certain earnings levels. Mr. Sumner's employment agreement contains confidentiality and non-compete provisions.

Stock Option Plans

1994 Stock Option Plan

In February 1994, our stockholders approved the 1994 Stock Option Plan, as adopted by the Board of Directors, and as amended in April 1995 and January 1996, pursuant to which key employees are eligible to receive incentive stock options to purchase up to an aggregate of 896,654 shares of common stock. No options are available for grant under the 1994 Stock Option Plan.

The 1994 Stock Option Plan provides that the exercise price of each incentive stock option must be at least equal to 100% of the fair market value of the common stock on the date of grant (110% in the case of stockholders who own more than 10% of the outstanding common stock), and requires that options expire not later than the tenth anniversary of the date of grant (the fifth anniversary in the case of stockholders who own

more than 10% of the outstanding common stock). With certain limited exceptions, in the event that an option holder ceases to be associated with us, such option holder's incentive options immediately terminate. Pursuant to the provisions of the 1994 Stock Option Plan, the aggregate fair market value, determined as of the date(s) of grant, for which incentive stock options are first exercisable by an option holder during any calendar year cannot exceed $100,000.

1997 Stock Option Plan

In January 1997, our stockholders approved the 1997 Stock Option Plan, as adopted by the Board of Directors, and as amended in April 1998, pursuant to which officers, directors, employees and consultants are eligible to receive incentive stock options and non-qualified stock options to purchase up to an aggregate of 2,000,000 shares of common stock. As of January 31, 1999, no options were available for grant pursuant to the 1997 Stock Option Plan.

The 1997 Stock Option Plan provides that the exercise price of each incentive stock option must be at least equal to 100% of the fair market value of the common stock on the date of grant (110% in the case of stockholders who own more than 10% of the outstanding common stock), and requires that options expire not later than the tenth anniversary of the date of grant (the fifth anniversary in the case of stockholders who own more than 10% of the outstanding common stock). With certain limited exceptions, in the event that an option holder ceases to be employed by us or engages in or is involved with any business similar to our business, such option holder's incentive options immediately terminate. Pursuant to the provisions of the 1997 Stock Option Plan, the aggregate fair market value, determined as of the date(s) of grant, for which incentive stock options are first exercisable by an option holder during any calendar year cannot exceed $100,000.

The 1997 Stock Option Plan requires that the exercise price of all non-qualified stock options be at least equal to 100% of the fair market value of the common stock on the date of grant, provided that non-qualified options may be issued at a lower exercise price (but in no event less than 85% of fair market value) if our net pre-tax income in the full fiscal year immediately preceding the date of grant exceeded 125% of our mean annual average net pre-tax income for the three fiscal years immediately preceding such year. Non-qualified options must have an expiration date not later than the eighth anniversary of the date of the grant. With certain limited exceptions, in the event that the option holder ceases to be associated with us or engages in or becomes involved with any business similar to our business, such option holder's non-qualified options immediately terminate.

Limitations of Liability and Indemnification

Section 145 of the Delaware General Corporation Law ("DGCL") contains provisions permitting our directors and officers to be indemnified against judgments, fines, amounts paid in settlement and reasonable expenses (including attorneys' fees) as the result of an action or proceeding in which they may be involved by reason of having been a director or officer. Our Certificate of Incorporation includes a provision that limits the personal liability of our directors to us or our stockholders for monetary damages arising from a breach of their fiduciary duties as directors to the fullest extent now or hereafter permitted by the DGCL. Under the DGCL as currently in effect, this provision limits a director's liability except for (i) any breach of the director's duty of loyalty to us or our stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) actions covered under Section 174 of the DGCL or (iv) any transaction in which the director obtains an improper personal benefit. This provision does not prevent us or our stockholders from seeking equitable remedies, such an injunctive relief or rescission. If equitable remedies are found not to be available to stockholders in any particular case, stockholders may not have any effective remedy against actions taken by directors that constitute negligence or gross negligence.

Our Certificate of Incorporation provides that we shall indemnify our officers and directors to the fullest extent permitted from time to time under the DGCL (subject to certain exceptions) and requires us to advance expenses to the extent permitted from time to time under the DGCL. In addition, our By-laws require us to indemnify our officers, directors, employees and agents to the extent permitted by the DGCL.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information as of the date of this prospectus, relating to the beneficial ownership of shares of our common stock by (i) each person or entity whom we know owns beneficially 5% or more of our outstanding common stock, (ii) each of our directors, (iii) each of the Named Executives, (iv) each selling stockholder and (v) all of our directors and executive officers as a group.

	Shares Beneficially Owned Prior to Offering(2)			Shares Beneficially Owned After Offering(2)	
Name of Beneficial Owner(1)	Number	Percent	Shares Being Offered	Number	Percent
Peter M. Brant(3)	3,048,749	15.6%	--	3,048,749	13.3%
BMG Entertainment	1,850,000	9.5	555,000	1,295,000	5.6
Robert Alexander(4)	1,425,000	7.3	400,000	1,025,000	4.5
David Rosenbaum(5)	1,252,500	6.4	200,000	1,052,500	4.6
Oliver R. Grace, Jr.(6)	781,338	4.0	--	781,338	3.4
Ryan A. Brant(7)	718,563	3.6	50,000	668,563	2.9
James and Barbara Rose(8)	620,002	3.2	97,500	522,502	2.3
John and Greta Davidson(9)	413,334	2.1	97,500	315,834	1.4
Neil S. Hirsch(10)	222,276	1.1	--	222,276	*
Lee Marcel Guinchard(11)	204,450	1.0	50,000	154,450	*
Larry Muller(12)	164,167	*	--	164,167	*
David Gillard(11)	116,000	*	50,000	66,000	*
Robert Flug(13)	110,000	*	--	110,000	*
Anthony R. Williams(14)	100,000	*	--	100,000	*
Barbara A. Ras(15)	70,243	*	--	70,243	*
Kelly Sumner(16)	62,500	*	--	62,500	*
All directors and executive officers as a group (eight persons)(17)	2,229,087	11.0	50,000	2,179,087	9.2

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* Less than 1%.

(1) Unless otherwise indicated, the address of each beneficial owner is 575 Broadway, New York, New York 10012.

(2) Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. A person is deemed to be the beneficial owner of securities which may be acquired by such person within 60 days from the date of this prospectus upon the exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options that are held by such person (but not those held by any other person) and which are exercisable within 60 days of the date of this prospectus, have been exercised.

(3) Includes 1,941,930 shares of common stock held by Brant Allen Industries Incentive Profit Sharing Plan and 100,000 shares of common stock held by Mr. Brant's wife.

(4) Includes 50,000 shares of common stock issuable upon the exercise of options granted under the 1997 plan which are currently exercisable.

(5) Includes 15,000 shares of common stock issuable upon the exercise of options granted under the 1997 Plan which are currently exercisable. Mr. Rosenbaum is an employee of Jack of All Games, Inc.

(6) Includes: (i) 653,678 shares of common stock owned of record by Anglo American Security Fund, L.P. ("Anglo American"), of which Mr. Grace is a general partner, (ii) 17,960 shares of common stock issuable upon the exercise of options owned by Anglo American, (iii) 88,913 shares of common stock owned by an affiliated entity and (iv) 20,787 shares of common stock issuable upon the exercise of options owned by Mr. Grace.

(7) Includes (i) 371,880 shares of common stock issuable upon the exercise of options granted under the 1994 Plan which are currently exercisable and (ii) 80,000 shares of common stock issuable upon the exercise of options granted under the 1997 Plan which are currently exercisable.

(8) Represents shares of common stock held by James and Barbara Rose, as tenants in the entirety. Mr. Rose is an employee of Talonsoft, Inc.

(9) Includes 206,667 shares of common stock held by John Davidson and 206,667 shares of common stock held by Greta Davidson. Mr. Davidson is an employee of Talonsoft, Inc.

(10) Represents shares of common stock held by Bridgehampton Holdings, Inc., an entity controlled by Mr. Hirsch.

(11) Mr. Guinchard and Mr. Gillard are employees of L.D.A. Distribution Limited.

(12) Includes 16,667 shares of common stock issuable upon the exercise of options granted under the 1997 Plan which are currently exercisable.

(13) Includes 48,500 shares of common stock held by S.L. Danielle, Inc. and 10,000 shares of common stock issuable upon the exercise of options granted under the 1997 Plan which are currently exercisable.

(14) Includes 60,000 shares of common stock issuable upon the exercise of options granted under the 1997 Plan which are currently exercisable and 15,000 shares of common stock issuable upon the exercise of non-plan options which are currently exercisable.

(15) Includes 40,000 shares of common stock issuable upon the exercise of options granted under the 1997 Plan, which are currently exercisable.

(16) Represents 62,500 shares of common stock issuable upon the exercise of options.

(17) Includes currently exercisable options to purchase an aggregate of 694,794 shares of common stock.

If the underwriters exercise their over-allotment option in full, after the offering: (i) Robert Alexander will own 925,000 shares (3.9%); (ii) David Rosenbaum will own 952,500 shares (4.1%); (iii) James and Barbara Rose will own 472,502 shares (2.0%) and (iv) John and Greta Davidson will own 265,834 shares (1.1%).

CERTAIN TRANSACTIONS

In connection with a private financing in September 1996, Peter M. Brant, a principal stockholder, Neil Hirsch, a director, and Anglo American, of which Oliver R. Grace, Jr., a director, is a general partner, purchased $1,565,180, $72,228 and $212,867, respectively, principal amount of notes and received five-year warrants to purchase 312,339, 14,413 and 42,387 shares, respectively, at an exercise price of $.01 per share. In April 1997, we repaid $212,867 principal amount of such notes to Anglo American. In January 1997, Peter M. Brant agreed to extend the repayment of his portion of such notes until May 14, 1998, in consideration for which extension, the interest rate on the note held by Mr. Brant was increased to 14% per annum. In October 1998, we repaid $72,228 principal amount of such notes to Mr. Hirsch. In August 1997, we repaid $750,000 principal amount of such indebtedness to Mr. Brant and, in September 1997, obtained bank financing to repay the balance of $815,180 principal amount of such indebtedness.

We lease our office space in New York from 575 Broadway Corporation, a corporation controlled by Peter M. Brant.

In February 1997, Anglo American, of which Oliver R. Grace, Jr., a director, is a general partner, agreed to convert shares of Series B Convertible Preferred Stock into 409,791 shares of common stock. As an inducement to enter into such agreement, we issued Anglo American options to purchase 38,746 shares of common stock at an exercise price of $2.41 per share. In addition, we entered into a three-year consulting agreement with an affiliate of Anglo American, pursuant to which such affiliate agreed to provide us management consulting services in consideration of the payment of $100,000 over the term of the agreement, of which $33,333 was paid in April 1997 and $16,667 was paid in fiscal 1998. The Company also paid $35,000 to Anglo American in dividends on the Series B Preferred Stock in fiscal 1997.

We believe that all of such transactions and arrangements were advantageous to us and were on terms no less favorable to us than could have been obtained from unaffiliated third parties.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 50,000,000 shares of common stock, par value $.01 per share, and 5,000,000 shares of preferred stock, no par value per share. As of the date of this prospectus, and giving effect to this offering there are 22,988,150 shares of common stock outstanding and no shares of preferred stock are outstanding.

Common Stock

Holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voting for the election of directors can elect all of the directors. Holders of common stock are entitled to receive dividends when, as and if declared by the Board of Directors in its discretion out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all assets, if any, legally available for distribution to them after payment of debts and liabilities and after provision has been made for each class of stock, if any, having preference over the common stock. Holders of common stock have no conversion, preemptive or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. All of the outstanding shares of common stock are, and the shares of common stock offered hereby will be, when issued upon payment of the consideration set forth in this prospectus, fully paid and non-assessable.

Preferred Stock

Our Certificate of Incorporation authorizes us to issue preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. There are currently no shares of Preferred Stock outstanding. Accordingly, the Board of Directors has the power, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a third party from gaining control of us.

Delaware Anti-Takeover Law

We are subject to the "business combination" statute of the Delaware General Corporation Law. In general, under Section 203, a publicly-held Delaware corporation may not engage in any business combination with any "interested stockholder" for a period of three years following the time such stockholder became an interested stockholder, unless the business combination is approved in a prescribed manner, such as the approval of a majority of certain members of the Board of Directors. The term "business combination" includes mergers and asset sales. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's voting stock. This statute could, among other things, make it more difficult for a third party to gain control of us or otherwise adversely affect the market price of our common stock.

Transfer Agent and Warrant Agent

The transfer and registrar agent for our common stock is American Stock Transfer & Trust Company, New York, New York.

UNDERWRITING

Subject to the terms and conditions contained in an underwriting agreement dated , 1999, the underwriters named below, who are represented by ING Baring Furman Selz LLC, have severally agreed to purchase from us the number of shares of common stock set forth opposite their names below.

Underwriters	Number of Shares
ING Baring Furman Selz LLC.	
Gerard Klauer Mattison & Co., Inc.	
Morgan Keegan & Company, Inc.	
Total	5,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase and accept delivery of the shares of common stock offered hereby are subject to approval by their counsel of certain legal matters and to certain other conditions. The underwriters are obligated to purchase and accept delivery of all the shares of common stock (other than those shares covered by the over-allotment option described below) if any are purchased.

The underwriters propose initially to offer the shares of common stock in part directly to the public at the initial public offering price set forth on the cover page of this prospectus and in part to certain dealers (including the underwriters) at such price less a concession not in excess of $ per share. The underwriters may allow, and such dealers may re-allow, to certain other dealers, a concession not in excess of $ share. After the initial offering of the shares of common stock, the public offering price and other selling terms may be changed by the underwriters at any time without notice.

The following table shows the underwriting fees to be paid to the underwriters by us and by the selling stockholders in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Per Share	No Exercise	Full Exercise
Payable by Take-Two Interactive Software, Inc.	$	$	$
Payable by the selling stockholders	$	$	$

Other expenses of this offering (including the registration fees and the fees of financial printers, counsel and accountants) to be paid by us are expected to be approximately $700,000.

We have granted to the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of 750,000 additional shares of common stock (including up to 450,000 shares offered by us and up to 300,000 shares offered by certain selling stockholders) at the public offering price less the underwriting discounts and commissions. The underwriters may exercise such option solely to cover over-allotments, if any, made in connection with this offering. To the extent that the underwriters exercise such option, each underwriter will become obligated, subject to certain conditions, to purchase its pro rata portion of such additional shares based on such underwriter's percentage underwriting commitment as indicated in the table above.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that the underwriters may be required to make in respect of any of those liabilities.

Each of us, our executive officers and directors and certain stockholders has agreed, subject to certain exceptions, not to: (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or (2) enter into any swap or other arrangement that transfers all or a portion

of the economic consequences associated with the ownership of any common stock (regardless of whether any of the transactions described in clause (1) or (2) is to be settled by the delivery of common stock, or such other securities, in cash or otherwise) for a period of 120 days after the date of this prospectus without the prior written consent of ING Baring Furman Selz LLC. In addition, during such period, we have agreed not to file any registration statement with respect to, and each of our executive officers, directors and certain stockholders has agreed not to make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock without the prior written consent of ING Baring Furman Selz LLC.

Other than in the United States, neither we nor the underwriters have taken any action that would permit a public offering of the shares of common stock offered hereby in any jurisdiction where action for that purpose is required. The shares of common stock offered hereby may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such shares of common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about, and to observe, any restrictions relating to the offering of the common stock and the distribution of this prospectus. This prospectus is not an offer to sell or a solicitation of an offer to buy any shares of common stock offered hereby in any jurisdiction in which such an offer or solicitation is unlawful.

In the event the common stock does not constitute an excepted security under the provisions of Regulation M promulgated by the SEC, the underwriters and dealers may engage in passive market making transactions in accordance with Rule 103 under Regulation M. In general, a passive market maker may not bid for or purchase shares of common stock at a price that exceeds the highest independent bid. In addition, the net daily purchases made by any passive market maker generally may not exceed 30% of its average daily trading volume in the common stock during a specified two-month prior period, or 200 shares, whichever is greater. A passive market maker must identify passive market making bids as such on the Nasdaq electronic inter-dealer reporting system. Passive market making may stabilize or maintain the market price of the common stock above independent market levels. Underwriters and dealers are not required to engage in passive market making and may end passive market making activities at any time.

In connection with this offering, the underwriters may engage in transactions on the Nasdaq National Market or the over-the-counter market or otherwise that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may overallot this offering, creating a syndicate short position. In addition, the underwriters may bid for and purchase shares of common stock in the open market to cover syndicate short positions or to stabilize the price of the common stock. These activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

LEGAL MATTERS

Tenzer Greenblatt LLP, New York, New York will pass upon the validity of the common stock offered hereby for us. Latham & Watkins, New York, New York will pass upon certain legal matters relating to this offering for the underwriters.

EXPERTS

The consolidated balance sheets of Take-Two Interactive, Inc. as of October 31, 1998 and 1997 and the consolidated statements of operations, stockholders' equity and cash flows for the three years in the period ended October 31, 1998 have been included in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given upon the authority of that firm as experts in accounting and auditing.

The financial statements of Jack of All Games, Inc. as of and for the years ended December 31, 1996 and December 31, 1997 have been included in reliance upon the reports of Aronowitz, Chaiken & Hardesty, LLP, given upon the authority of that firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, file reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the SEC upon payment of certain fees prescribed by the SEC. The SEC's Web site contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of that site is http://www.sec.gov. Our common stock is quoted on the Nasdaq National Market and our reports, proxy statements and other information may also be inspected at the offices of Nasdaq Operations, 1735 K Street, N.W., Washington, D.C. 20006.

We have filed a registration statement on Form S-1 with the SEC under the Securities Act with respect to the securities offered in this prospectus. This prospectus, which is filed as part of a registration statement, does not contain all of the information set forth in the registration statement, certain portions of which have been omitted in accordance with the SEC's rules and regulations. Statements made in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete and are qualified in their entirety by reference to each such contract, agreement or other document which is filed as an exhibit to the registration statement. The registration statement may be inspected without charge at the public reference facilities maintained by the SEC, and copies of such materials can be obtained from the Public Reference Section of the SEC at prescribed rates.

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TAKE-TWO INTERACTIVE SOFTWARE, INC.

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Report of Independent Accountants

To the Stockholders of
Take-Two Interactive Software, Inc. and Subsidiaries:

In our opinion, based on our audits and the report of other auditors for 1997 and 1996, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows, present fairly, in all material respects, the financial position of Take-Two Interactive Software, Inc. and Subsidiaries at October 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1998, in conformity with generally accepted accounting principles. 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 did not audit the December 31, 1997 and 1996 financial statements of Jack of All Games, Inc., a wholly-owned subsidiary, which statements reflect total revenues constituting 77 percent and 74 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jack of All Games, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards, which 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, 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.

PricewaterhouseCoopers LLP

December 21, 1998
1301 Avenue of the Americas
New York, NY

INDEPENDENT ACCOUNTANT'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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

Consolidated Balance Sheets

ASSETS:

	October 31, 1997	October 31, 1998	January 31, 1999 (Unaudited)
Current assets:			
Cash and cash equivalents	$ 2,372,194	$ 2,762,837	$ 4,761,396
Cash restricted for letter of credit	1,089,760	--	--
Accounts receivable, net of allowances of $104,972, $1,473,017, and $1,526,808 (unaudited), respectively	21,404,683	49,138,871	47,493,189
Inventories, net	12,736,952	26,092,541	23,074,122
Prepaid royalties	1,207,750	8,064,510	9,086,192
Advances to developers	--	4,319,989	5,002,663
Prepaid expenses and other current assets	4,851,766	3,981,942	3,650,591
Deferred tax asset	--	941,000	941,000
Total current assets	43,663,105	95,301,690	94,009,153
Fixed assets, net	1,741,243	1,979,658	1,967,358
Prepaid royalties	167,500	1,388,673	1,122,742
Capitalized software development costs, net	4,315,728	2,260,037	2,402,958
Intangibles, net	6,255,037	8,421,777	8,138,873
Other assets, net	252,410	33,259	--
Total assets	$ 56,395,023	$109,385,094	$ 107,641,084

LIABILITIES and STOCKHOLDERS' EQUITY:

Current liabilities:			
Lines of credit, current portion	$ 904,843	$ 30,226,899	$ 31,589,639
Notes payable due to related parties, net of discount	255,513	222,955	128,734
Current portion of capital lease obligation	158,030	82,373	80,266
Notes payable, net of discount	4,424,059	137,140	115,578
Accounts payable	17,009,849	31,723,864	22,435,940
Accrued expenses	3,477,440	10,975,362	13,678,527
Due to related parties	148,916	--	--
Advances to distributors	1,247,769	136,000	--
Total current liabilities	27,626,419	73,504,593	68,028,684
Line of credit	13,959,073	123,499	--
Notes payable, net of current portion	2,365,496	97,392	81,861
Notes payable due to related parties, net of discount	122,506	--	--
Capital lease obligation, net of current portion	299,474	94,042	--
Other liabilities	87,343	--	63,970
Total liabilities	44,460,311	73,819,526	68,174,515

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

	October 31,		
	1997	1998	January 31, 1999
			(Unaudited)
Commitments and contingencies			
Stockholders' equity:			
Redeemable preferred stock, Class A, $1.00 par value; 317 shares authorized, issued and outstanding at October 31, 1997, no shares issued or outstanding at October 31, 1998 and January 31, 1999 (unaudited)..	317	--	--
Preferred stock, Class B, $14.285 par value; 17,500 shares authorized, no shares issued and outstanding at October 31, 1997, 1998 and January 31, 1999 (unaudited)	--	--	--
Preferred stock, Series A, no par value; 5,000,000 shares authorized; no shares issued or outstanding at October 31, 1997, 1998 and January 31, 1999 (unaudited)	--	--	--
Common stock, par value $.01 per share; 50,000,000 shares authorized; 13,033,379, 18,071,972 and 18,425,924 shares issued and outstanding at October 31, 1997, 1998 and January 31, 1999 (unaudited), respectively	130,333	180,719	184,259
Additional paid-in capital	15,551,501	33,546,417	34,792,045
Deferred compensation	(17,250)	(223,657)	(212,951)
Retained earnings	(3,599,483)	2,069,522	4,964,358
Foreign currency translation adjustment	(130,706)	(7,433)	(261,142)
Total stockholders' equity	11,934,712	35,565,568	39,466,569
Total liabilities and stockholders' equity	$ 56,395,023	$ 109,385,094	$ 107,641,084

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Statements of Operations

	Years Ended October 31,		
	1996	1997	1998
Net sales	$ 55,123,063	$ 97,341,225	$ 194,051,566
Cost of sales	44,315,884	81,479,408	147,555,172
Gross profit	10,807,179	15,861,817	46,496,394
Operating expenses:			
Research and development costs	994,349	1,847,970	1,702,339
Selling and marketing	4,186,981	8,042,947	18,686,086
General and administrative	3,252,216	5,861,961	13,583,131
Depreciation and amortization	342,132	1,004,138	1,835,057
Total operating expenses	8,775,678	16,757,016	35,806,613
Income (loss) from operations	2,031,501	(895,199)	10,689,781
Interest expense	307,679	1,843,403	3,680,075
Income (loss) before income taxes and extraordinary item	1,723,822	(2,738,602)	7,009,706
Provision (benefit) for income taxes	42,149	29,789	(334,136)
Net income (loss) before extraordinary item*	1,681,673	(2,768,391)	7,343,842
Extraordinary net loss on early extinguishment of debt	--	--	162,748
Net income (loss)	1,681,673	(2,768,391)	7,181,094
Preferred dividends and warrants in lieu of preferred dividends	(17,532)	(135,418)	--
Net income (loss) -- Basic	$ 1,664,141	$ (2,903,809)	$ 7,181,094
Net income (loss) -- Diluted	$ 1,664,141	$ (2,903,809)	$ 7,181,094
Per share data:			
Basic:			
Weighted average common shares outstanding	10,281,000	11,697,342	14,746,854
Net income (loss) before extraordinary gain per share	$ 0.16	$ (0.25)	$ 0.50
Extraordinary net loss per share	--	--	(0.01)
Net income (loss) -- Basic	$ 0.16	$ (0.25)	$ 0.49
Supplemental net income (loss) attributable to common stockholders after giving effect to S corporation distributions -- Basic	$ 0.06	$ (0.31)	$ 0.42
Diluted:			
Weighted average common shares outstanding	11,454,400	11,697,342	17,062,806
Net income (loss) before extraordinary gain per share	$ 0.15	$ (0.25)	$ 0.43
Extraordinary net loss per share	--	--	(0.01)
Net income (loss) -- Diluted	$ 0.15	$ (0.25)	$ 0.42
Supplemental net income (loss) attributable to common stockholders after giving effect to S corporation distributions -- Diluted	$ 0.06	$ (0.31)	$ 0.37

	Three months ended January 31,	
	1998	1999
	(Unaudited)	
Net sales	51,405,361	68,280,653
Cost of sales	40,797,569	53,537,840
Gross profit	10,607,792	14,742,813
Operating expenses:		
Research and development costs	486,963	592,144
Selling and marketing	4,231,177	4,161,203
General and administrative	2,135,246	4,411,498
Depreciation and amortization	376,542	453,415
Total operating expenses	7,229,928	9,618,260
Income (loss) from operations	3,377,864	5,124,553
Interest expense	1,548,035	816,517
Income (loss) before income taxes and extraordinary item	1,829,829	4,308,036
Provision (benefit) for income taxes	8,648	1,413,200
Net income (loss) before extraordinary item*	1,821,181	2,894,836
Extraordinary net loss on early extinguishment of debt	--	--
Net income (loss)	1,821,181	2,894,836
Preferred dividends and warrants in lieu of preferred dividends	--	--
Net income (loss) -- Basic	$ 1,821,181	$ 2,894,836
Net income (loss) -- Diluted	$ 1,917,511	$ 2,894,836
Per share data:		
Basic:		
Weighted average common shares outstanding	13,258,379	18,212,240
Net income (loss) before extraordinary gain per share	$ 0.14	$ 0.16
Extraordinary net loss per share	--	--
Net income (loss) -- Basic	$ 0.14	$ 0.16
Supplemental net income (loss) attributable to common stockholders after giving effect to S corporation distributions -- Basic	$ 0.11	$ 0.16
Diluted:		
Weighted average common shares outstanding	14,872,511	19,534,411
Net income (loss) before extraordinary gain per share	$ 0.13	$ 0.15
Extraordinary net loss per share	--	--
Net income (loss) -- Diluted	$ 0.13	$ 0.15
Supplemental net income (loss) attributable to common stockholders after giving effect to S corporation distributions -- Diluted	$ 0.10	$ 0.15

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* Net income (loss) includes acquired S corporation net income of $992,659, $1,347,477 and $1,232,636 for the years ended 1996, 1997 and 1998, respectively and $169,660 (unaudited) for the three months ended January 31, 1998.

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended October 31,		
	1996	1997	1998
Cash flows from operating activities:			
Net income (loss)	$ 1,681,673	$ (2,768,391)	$ 7,181,094
Adjustment to retained earnings as a result of business combination (Note 3)	--	--	(581,089)
Adjustment to reconcile net income (loss) to net cash (used in)/provided by operating activities:			
Depreciation and amortization	342,132	1,004,138	1,835,057
Loss on termination of capital lease	--	--	225,395
Loss on disposal of equipment	--	772	--
Non-cash revenue	(150,000)	--	--
Gain on extraordinary item	--	--	(62,647)
Recognition of deferred tax asset	--	--	(941,000)
Provision for doubtful accounts	337,366	49,486	1,429,103
Provision for inventory allowances	--	--	236,616
Amortization of deferred compensation	17,250	17,250	121,887
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	--
Amortization of loan discounts	150,039	720,994	890,062
Amortization of deferred financing costs	--	30,776	246,204
Issuance of compensatory stock	15,000	--	--
Increase in cash value of life insurance	(1,015)	(1,193)	--
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in accounts receivable	(5,591,959)	(12,770,174)	(25,865,693)
(Increase) decrease in inventories, net	(4,971,388)	(5,308,962)	(5,579,244)
Increase in prepaid royalties	(285,000)	(1,090,250)	(466,809)
Increase in advances to developers	--	--	(4,319,989)
(Increase) decrease in prepaid expenses and other current assets	(116,099)	(3,495,307)	1,295,156
(Increase) decrease in capitalized software development costs, net	320,374	(1,033,618)	2,055,691
(Increase) decrease in other assets, net	--	--	(33,259)
Increase (decrease) in accounts payable	4,342,357	6,899,111	8,540,452
Increase in accrued expenses	439,106	2,443,016	6,920,367
(Increase) decrease in due to/from related parties	25,749	400,420	49,917
Decrease in other liabilities	--	--	(87,343)
(Decrease) increase in advances-principally distributors	(1,481,582)	441,932	(1,111,769)
Net cash (used in) provided by operating activities	(4,925,997)	(14,460,000)	(8,021,841)

	Three months ended January 31,	
	1998	1999
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 1,821,181	$ 2,894,836
Adjustment to retained earnings as a result of business combination (Note 3)	(581,089)	--
Adjustment to reconcile net income (loss) to net cash (used in)/provided by operating activities:		
Depreciation and amortization	376,542	453,415
Loss on termination of capital lease	--	--
Loss on disposal of equipment	--	--
Non-cash revenue	--	--
Gain on extraordinary item	--	--
Recognition of deferred tax asset	--	--
Provision for doubtful accounts	404,911	182,243
Provision for inventory allowances	--	--
Amortization of deferred compensation	4,312	126,706
Forfeiture of compensatory stock options in connection with AIM acquisition	--	(140,793)
Amortization of loan discounts	664,580	1,008
Amortization of deferred financing costs	184,653	--
Issuance of compensatory stock	--	116,065
Increase in cash value of life insurance	--	--
Changes in operating assets and liabilities, net of effects of acquisitions:		
(Increase) decrease in accounts receivable	3,848,825	1,463,439
(Increase) decrease in inventories, net	2,425,504	3,018,419
Increase in prepaid royalties	(596,956)	(755,751)
Increase in advances to developers	--	(682,674)
(Increase) decrease in prepaid expenses and other current assets	2,654,352	331,351
(Increase) decrease in capitalized software development costs, net	1,278,854	(142,921)
(Increase) decrease in other assets, net	--	33,259
Increase (decrease) in accounts payable	(7,244,244)	(9,287,924)
Increase in accrued expenses	496,629	2,703,165
(Increase) decrease in due to/from related parties	(32,727)	--
Decrease in other liabilities	(87,343)	--
(Decrease) increase in advances-principally distributors	(595,050)	(136,000)
Net cash (used in) provided by operating activities	5,022,934	177,843

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

Consolidated Statement of Cash Flows, continued

	Years Ended October 31,		
	1996	1997	1998
Cash flows from investing activities:			
Purchase of fixed assets	(283,422)	(714,514)	(630,304)
Proceeds from the sale of fixed assets	--	1,500	--
Cash restricted for letter of credit	--	(1,089,760)	1,089,760
Investment in joint venture	(133,893)	133,893	--
Acquisition, net cash paid	(900,000)	(100,000)	(1,186,874)
Additional royalty payment in connection with the Mission acquisition	--	(814,478)	--
Net cash used in investing activities	(1,317,315)	(2,583,359)	(727,418)
Cash flows from financing activities:			
Issuance of stock and warrants in connection with initial public offering net of stock issuance costs of $1,920,232	--	7,463,769	--
Costs associated with proposed initial public offering	(45,608)	--	--
Redemption of preferred stocks	--	--	(317)
Proceeds from private placement, net	192,000	--	5,955,333
Net borrowings under lines of credit	5,177,671	7,611,469	11,547,778
Proceeds from notes payable	2,028,591	7,200,000	951,569
Repayments of notes payable	(20,634)	(2,687,301)	(8,349,682)
Proceeds from exercise of stock options	45,750	156	148,264
Repayment of capital lease obligation	--	(70,668)	(305,281)
Loans to stockholders	(280,669)	--	--
Repayment from stockholders	161,617	--	--
Dividends to preferred stockholders	--	(35,000)	--
Distributions to S corporation shareholders	(1,005,800)	(673,092)	(931,000)
Net cash provided by/(used in) financing activities	6,252,918	18,809,333	9,016,664
Effect of foreign exchange rates	--	(130,706)	123,238
Net increase (decrease) in cash for the period	9,606	1,635,268	390,643
Cash and cash equivalents, beginning of the period	727,320	736,926	2,372,194
Cash and Cash equivalents, end of the period	$ 736,926	$ 2,372,194	$ 2,762,837
The Company declared dividends to the holder of the cumulative convertible preferred stock Class B and the full amount was converted into notes payable in connection with the 1996 financing	$ 17,500		
Certain amounts owned to a stockholder and director of the Company under a consulting agreement were converted into common stock	$ 102,221		
Certain amounts owned to a stockholder and director of the Company under a consulting agreement were converted into short-term notes payable in connection with the 1966 financing	$ 65,500		
Issuance of warrants in less of dividends	--	100,352	--
Issuance of common stock in connection with IMSI and CAG acqusition	--	1,000	--

	Three months ended January 31,	
	1998	1999
	(Unaudited)	
Cash flows from investing activities:		
Purchase of fixed assets	(65,470)	(184,408)
Proceeds from the sale of fixed assets	--	--
Cash restricted for letter of credit	--	--
Investment in joint venture	--	--
Acquisition, net cash paid	(1,186,874)	--
Additional royalty payment in connection with the Mission acquisition	--	--
Net cash used in investing activities	(1,252,344)	(184,408)
Cash flows from financing activities:		
Issuance of stock and warrants in connection with initial public offering net of stock issuance costs of $1,920,232	--	--
Costs associated with proposed initial public offering	--	--
Redemption of preferred stocks	--	--
Proceeds from private placement, net	--	--
Net borrowings under lines of credit	(980,826)	1,239,241
Proceeds from notes payable	803,800	--
Repayments of notes payable	(3,693,472)	(132,322)
Proceeds from exercise of stock options	45,000	1,157,897
Repayment of capital lease obligation	(30,113)	(19,558)
Loans to stockholders	--	--
Repayment from stockholders	--	--
Dividends to preferred stockholders	--	--
Distributions to S corporation shareholders	(362,000)	--
Net cash provided by/(used in) financing activities	(4,217,611)	2,245,258
Effect of foreign exchange rates	(10,418)	(240,134)
Net increase (decrease) in cash for the period	(457,439)	1,998,559
Cash and cash equivalents, beginning of the period	2,372,194	2,762,837
Cash and Cash equivalents, end of the period	$ 1,914,755	$ 4,761,396
The Company declared dividends to the holder of the cumulative convertible preferred stock Class B and the full amount was converted into notes payable in connection with the 1996 financing		
Certain amounts owned to a stockholder and director of the Company under a consulting agreement were converted into common stock		
Certain amounts owned to a stockholder and director of the Company under a consulting agreement were converted into short-term notes payable in connection with the 1966 financing..		
Issuance of warrants in less of dividends	--	--
Issuance of common stock in connection with IMSI and CAG acqusition	--	--

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

Consolidated Statement of Cash Flows, continued

	Years Ended October 31,			Three months ended January 31,	
	1996	1997	1998	1998	1999
				(Unaudited)	
Issuance of common stock in connection with JAG acquisition	--	--	27,500	--	--
Supplemental information in businesses acquired:					
Fair value of assets acquired	$ 2,693,928	$ 4,948,654	$ 23,718,551	$ 12,181,948	$--
Less, facilities assumed	(1,293,928)	(1,100,492)	(10,553,988)	(8,812,948)	--
Stock issued	(440,000)	(3,000,000)	(11,411,289)	(1,612,500)	--
Note payable	--	(700,000)	--	--	--
Options issued	--	--	(253,294)	(256,500)	--
Direct transection costs	--	(48,162)	--	--	--
Cash paid	960,000	100,000	1,500,000	1,500,000	--
Less, cash acquired	(60,000)	--	(313,126)	(313,126)	--
Net cash paid	$ 900,000	$ 100,000	$ 1,186,874	$ 1,186,874	$--
Cash paid during the period for interest	$ 195,843	$ 1,290,318	$ 2,323,787		
Cash paid during the period for taxes	$ 37,612	$ 28,654	$ 59,235		
	$ 17,040	$ 505,088	$ 75,418		

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Class A Preferred Stock		Class B Preferred Stock		Series A Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, November 1, 1995	317	$ 317	17,500	$ 249,987	$ --	--
Issuance of common stock	--	--	--	--	--	--
Issuance of compensatory stock options	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Issuance of common stock in connection with Mission Studios acquisition	--	--	--	--	--	--
Issuance of warrants in connection with '96 private placement	--	--	--	--	--	--
Declaration of dividends to preferred stockholders	--	--	--	--	--	--
Conversion of consulting payments into common stock	--	--	--	--	--	--
Exercise of stock options	--	--	--	--	--	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Balance, October 31, 1996	317	317	17,500	249,987	--	--
Conversion of preferred stock	--	--	(17,500)	(249,987)	--	--
Issuance of warrants in lieu of dividends	--	--	--	--	--	--
Issuance of common stock and warrants in connection with a public offering, net of issuance costs	--	--	--	--	--	--
Issuance of common stock and warrants in connection with 1997 placement of debt	--	--	--	--	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	--	--	--	--	--
Issuance of common stock in connection with TTE and ART acquisition	--	--	--	--	--	--
Exercise of stock options	--	--	--	--	--	--
Declaration of dividends to preferred stockholders	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Net loss	--	--	--	--	--	--
Balance, October 31, 1997	317	317	--	--	--	--

	Common Stock		Additional	Deferred	Retained
	Shares	Amount	Paid-in Capital	Compensation	Earnings Deficit
Balance, November 1, 1995	10,028,974	$ 100,289	$ 2,484,392	$ --	$ (680,923)
Issuance of common stock	24,944	249	59,751	--	--
Issuance of compensatory stock options	--	--	51,750	(51,750)	--
Amortization of deferred compensation	--	--	--	17,250	--
Issuance of common stock in connection with Mission Studios acquisition	182,923	1,829	438,171	--	--
Issuance of warrants in connection with '96 private placement	--	--	750,197	--	--
Declaration of dividends to preferred stockholders	--	--	--	--	(17,532)
Conversion of consulting payments into common stock	42,496	425	101,796	--	--
Exercise of stock options	1,663	17	733	--	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	(1,005,800)
Net income	--	--	--	--	1,681,673
Balance, October 31, 1996	10,281,000	102,809	3,886,790	(34,500)	(22,582)
Conversion of preferred stock	409,791	4,098	245,889	--	--
Issuance of warrants in lieu of dividends	--	--	100,352	--	(100,352)
Issuance of common stock and warrants in connection with a public offering, net of issuance costs	1,840,000	18,400	7,399,761	--	--
Issuance of common stock and warrants in connection with 1997 placement of debt	55,000	550	909,229	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	26,035	260	(104)	--	--
Issuance of common stock in connection with TTE and ART acquisition	406,553	4,066	2,995,934	--	--
Exercise of stock options	15,000	150	13,650	--	--
Declaration of dividends to preferred stockholders	--	--	--	--	(35,066)
Amortization of deferred compensation	--	--	--	17,250	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	(673,092)
Foreign currency translation adjustment	--	--	--	--	--
Net loss	--	--	--	--	(2,768,391)
Balance, October 31, 1997	13,033,379	130,333	15,551,501	(17,250)	(3,599,483)

	Accummulated Other Comprehensive Income	Total	Comprehensive Income (Loss)
Balance, November 1, 1995	$ --	$ 2,154,062	$ --
Issuance of common stock	--	60,000	--
Issuance of compensatory stock options	--	--	--
Amortization of deferred compensation	--	17,250	--
Issuance of common stock in connection with Mission Studios acquisition	--	440,000	--
Issuance of warrants in connection with '96 private placement	--	750,197	--
Declaration of dividends to preferred stockholders	--	(17,532)	--
Conversion of consulting payments into common stock	--	102,221	--
Exercise of stock options	--	750	--
Distributions to S corporation shareholders prior to acquisition	--	(1,005,800)	--
Net income	--	1,681,673	1,681,673
Balance, October 31, 1996	--	4,182,821	1,681,673
Conversion of preferred stock	--	--	--
Issuance of warrants in lieu of dividends	--	--	--
Issuance of common stock and warrants in connection with a public offering, net of issuance costs	--	7,418,161	--
Issuance of common stock and warrants in connection with 1997 placement of debt	--	909,779	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	156	--
Issuance of common stock in connection with TTE and ART acquisition	--	3,000,000	--
Exercise of stock options	--	13,800	--
Declaration of dividends to preferred stockholders	--	(35,066)	--
Amortization of deferred compensation	--	17,250	--
Distributions to S corporation shareholders prior to acquisition	--	(673,092)	--
Foreign currency translation adjustment	(130,706)	(130,706)	(130,706)
Net loss	--	(2,768,391)	(2,768,381)
Balance, October 31, 1997	(130,706)	11,934,712.00	(2,899,097)

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

Consolidated Statements of Stockholders' Equity, continued

	Class A Preferred Stock		Class B Preferred Stock		Series A Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Issuance of common stock and compensatory stock options in connection with AIM acquisition	--	--	--	--	--	--
Issuance of preferred stock in connection with BMG acquisition	--	--	--	--	1,850,000	18,500
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--	--	--	(1,850,000)	(18,500)
Issuance of common stock in connection with DirectSoft acquisition	--	--	--	--	--	--
Redemption of preferred stock	(317)	(317)	--	--	--	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	--	--	--	--	--	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	--	--	--	--	--	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	--	--	--	--	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	--	--	--	--	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	--	--	--	--	--
Exercise of stock options	--	--	--	--	--	--
Issuance of common stock in connection with early extinguishment of debt	--	--	--	--	--	--
Issuance of compensatory stock options	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	--	--	--	--	--
Balance, October 31, 1998	--	--	--	--	--	--
Exercise of stock options	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Issuance of warrants	--	--	--	--	--	--
Issuance of compensatory stock	--	--	--	--	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Balance, January 31, 1999 (unaudited)	--	$ --	$ --	$ --	$ --	$ --

	Common Stock		Additional	Deferred	Retained Earnings
	Shares	Amount	Paid-in Capital	Compensation	Deficit
Issuance of common stock and compensatory stock options in connection with AIM acquisition	500,000	5,000	1,864,000	(253,294)	--
Issuance of preferred stock in connection with BMG acquisition	--	--	9,520,563	--	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	1,850,000	18,500	--	--	--
Issuance of common stock in connection with DirectSoft acquisition	40,000	400	256,100	--	--
Redemption of preferred stock	--	--	--	--	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	158,333	1,583	896,750	--	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	7,700	770,000	5,049,300	--	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	897,183	8,972	(8,972)	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	160,000	1,600	(1,600)	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	378,939	3,789	--	--	--
Exercise of stock options	252,000	2,520	156,743	--	--
Issuance of common stock in connection with early extinguishment of debt	32,138	322	187,032	--	--
Issuance of compensatory stock options	--	--	75,000	(75,000)	--
Amortization of deferred compensation	--	--	--	121,887	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	(931,000)
Foreign currency translation adjustment	--	--	--	--	--
Net income	--	--	--	--	7,181,094
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	--	--	--	(581,089)
Balance, October 31, 1998	18,071,972	180,719	33,546,417	(223,657)	2,069,522
Exercise of stock options	248,909	2,489	1,155,407	--	--
Amortization of deferred compensation	--	--	--	126,706	--
Issuance of warrants	--	--	116,000	(116,000)	--
Issuance of compensatory stock	105,043	1,051	115,014	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	(140,793)	--	--
Foreign currency translation adjustment	--	--	--	--	--
Net income	--	--	--	--	2,894,836
Balance, January 31, 1999 (unaudited)	$18,425,924	$184,259	$34,792,045	$ (212,951)	$4,964,358

	Accummulated Other Comprehensive Income	Total	Comprehensive Income (Loss)
Issuance of common stock and compensatory stock options in connection with AIM acquisition	--	1,615,706	--
Issuance of preferred stock in connection with BMG acquisition	--	9,539,063	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--	--
Issuance of common stock in connection with DirectSoft acquisition	--	256,500	--
Redemption of preferred stock	--	(317)	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	--	898,333	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	--	5,057,000	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	--	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	--	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	3,789	--
Exercise of stock options	--	159,263	--
Issuance of common stock in connection with early extinguishment of debt	--	187,354	--
Issuance of compensatory stock options	--	--	--
Amortization of deferred compensation	--	121,887	--
Distributions to S corporation shareholders prior to acquisition	--	(931,000)	--
Foreign currency translation adjustment	123,273	123,273	123,273
Net income	--	7,181,094	7,181,094
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	(581,089)	--
Balance, October 31, 1998	(7,433)	35,565,568	7,304,367
Exercise of stock options	--	1,157,896	--
Amortization of deferred compensation	--	126,706	--
Issuance of warrants	--	--	--
Issuance of compensatory stock	--	116,065	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	(140,793)	--
Foreign currency translation adjustment	(253,709)	(253,709)	(253,709)
Net income	--	2,894,836	2,894,836
Balance, January 31, 1999 (unaudited)	$ (261,142)	$39,466,569	$ 2,641,127

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

1. Organization:

Take-Two Interactive Software, Inc. (the "Company") was incorporated in the State of Delaware on September 30, 1993. Take-Two and its wholly owned subsidiaries, GearHead Entertainment ("GearHead"), Mission Studios Corporation ("Mission"), Take-Two Interactive Software Europe Limited ("TTE"), Alternative Reality Technologies ("ART"), Inventory Management Systems, Inc. ("IMSI"), Alliance Inventory Management ("AIM"), Jack of All Games, Inc. ("JAG"), Creative Alliance Group Inc. ("CAG"), DirectSoft Australia Pty. Ltd. ("DirectSoft") and Talonsoft ("Talonsoft") design, develop, publish, market and distribute interactive software games for use on multimedia personal computer and video game console platforms. The Company's interactive software games are sold primarily in the United States, Europe and Australasia.

2. Significant Accounting Policies and Transactions:

Basis of Presentation

The consolidated financial statements include the financial statements of Take-Two and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

In July 1997, the Company acquired all the outstanding stock of IMSI and CAG. IMSI and CAG are engaged in the wholesale distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of each of IMSI and CAG were exchanged for 900,000 shares of restricted common stock of the Company. In August 1998, the Company acquired all the outstanding stock of JAG. JAG is engaged in the 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 common stock of the Company. In December 1998, the Company acquired all the outstanding stock of Talonsoft. Talonsoft is a developer and publisher of historical strategy games. To effect the acquisition, all of the outstanding shares of common stock of Talonsoft were exchanged for 1,033,336 shares of common stock of the Company. The acquisitions have been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the accompanying financial statements have been restated to include the results of operations and financial position for all periods presented.

Unaudited Interim Financial Information

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments, consisting only of normal recurring entries necessary for a fair presentation have been included. Operating results for the three months ended January 31, 1999 are not necessarily indicative of the results that may be expected for the year ended October 31, 1999.

Risk and Uncertainties

For the years ended October 31, 1996, 1997 and 1998, substantially all of the Company's net sales have been attributable to publishing and distribution revenues. The publishing and distribution industries are subject to increasing competition, rapid technological change and evolving consumer preferences, which result in shorter product and platform lifecycles. The Company's continued success depends upon its ability to acquire, manufacture and market software products, which often requires substantial financing. Additionally, the financing for software products acquired or licensed must be on terms acceptable to the Company. If sales from newly acquired and manufactured software products fail to materialize, the Company's business, operating results and financial condition could be adversely affected in the near term.

2. Significant Accounting Policies and Transactions: -- (Continued)

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.

Concentration of Credit Risk

A significant portion of cash balances are maintained with several major financial institutions with satisfactory standing and at times, exceeds insurable amounts.

If the financial condition and operations of the Company's distributors or retailers deteriorate, the risk of collection could increase substantially. As of October 31, 1996, the receivable balances from its largest customers amounted to approximately 10.8% and 10.3% of the Company's net receivable balance. As of October 31, 1997, the receivable balances from its largest customers amounted to approximately 19.0% and 10.7% of the Company's net receivable balance. As of October 31, 1998, the receivable balance from its largest customer amounted to approximately 14.9%, which is insured, of the Company's net receivable balance. For the years ended October 1996, 1997 and 1998, the Company's five (5) largest customers accounted for 43.6%, 36.2% and 22.4% of net sales, respectively.

Revenue Recognition

Distribution revenue is derived from the sale of interactive software games bought from third parties and is recognized upon the shipment of product to retailers. Distribution revenue amounted to $41,762,489, $79,728,424 and $102,866,094 for 1996, 1997 and 1998, respectively. Distribution revenue amounted to $34,469,905 (unaudited) and $44,389,431 (unaudited) for the three months ended January 31, 1998 and 1999, respectively. The Company's distribution arrangements with retailers generally do not give them the right to return products to the Company or to cancel firm orders, although the Company does accept product returns for stock balancing, price protection and defective products. The Company sometimes 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 from returns for its distribution activities has 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 $13,360,574, $17,612,801 and $91,185,472 in 1996, 1997, and 1998, respectively. Publishing revenue amounted to $16,935,456 (unaudited) and $23,891,222 (unaudited) for the three months ended January 31, 1998 and 1999, respectively. The Company's publishing arrangements with retailers require the Company to accept product returns 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 recognizes revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues.

Geographic Information

For the years ended October 31, 1996, 1997 and 1998, the Company's net sales in domestic markets accounted for approximately 93.8%, 94.1%, and 78.4%, respectively, and net sales in international markets accounted for 6.2%, 5.9%, and 21.6% of total sales, respectively. For the three months ended January 31, 1998 and 1999, the Company's net sales in domestic markets accounted for approximately 97.2% (unaudited) and 78.7% (unaudited), respectively, of total sales and net sales in international markets accounted for 2.8% (unaudited) and 21.3% (unaudited), respectively of total sales.

2. Significant Accounting Policies and Transactions: -- (Continued)

As of October 31, 1997 and 1998, the Company's net fixed assets in domestic markets accounted for approximately $1,662,462 and $1,287,151, respectively, and net fixed assets in international markets accounted for $78,781 and $692,507, respectively. As of January 31, 1999, the Company's net fixed assets in domestic and international markets are $1,291,148 (unaudited) and $676,210 (unaudited), respectively.

Advertising

The Company reports the costs of all advertising as expenses in the periods in which those costs are incurred. The Company shares portions of certain customers' advertising expenses through co-op advertising arrangements. Advertising expense for the years ended October 31, 1996, 1997 and 1998 amounted to $474,211, $1,038,407 and $6,670,303, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

Inventory

Inventories are stated at average cost. The Company periodically evaluates the carrying value of its inventories and adjusts these as necessary.

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 advance royalties, and charges to cost of sales any amount that management deems unlikely to be realized at the contractual royalty rate through 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 written down $0, $350,000 and $884,454 for the years ended October 31, 1996, 1997 and 1998, respectively, to net realizable value. Amortization of prepaid royalties amounted to $325,000, $3,644,935 and $9,093,885 during 1996, 1997 and 1998, respectively. Prepaid royalties were written down $656,698 (unaudited) for the three months ended January 31, 1999 to net realizable value. Amortization of prepaid royalties for the three months ended January 31, 1999 amounted to $1,929,839 (unaudited).

Fixed Assets

Depreciation of computer equipment, office equipment, furniture and fixtures and automobiles is provided for by the straight-line method over their estimated lives ranging from five to seven years. Depreciation of computer software is depreciated by the straight-line method over three years. Amortization of leasehold improvements is provided for over the lesser of the term of the related lease or estimated useful lives. Accumulated amortization includes the amortization of assets recorded under capital leases. The cost of additions and betterments is capitalized, and repairs and maintenance costs are charged to operations in the periods incurred. When depreciable assets are retired or sold, the cost and related allowances for depreciation are removed from the accounts and the gain or loss is recognized.

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. Technological feasibility is established upon the completion of a detailed program design (in the absence of any high risk issues or uncertainties). Amortization commences upon the general release of a game title and is recognized as a

2. Significant Accounting Policies and Transactions: -- (Continued)

component of cost of sales by the greater of: (a) the straight-line method over the remaining estimated life of two years or (b) the ratio that current gross revenues for a product bears to the total of current and anticipated future gross revenues for that product. Due to a short product life cycle, film production costs are generally amortized over a period less than one year. It is reasonably possible that the estimate of anticipated future gross revenues, the remaining estimated economic life of the product, or both will be reduced significantly in the near term and that the amortization of the capitalized software costs may be accelerated materially in the near term. Capitalized software costs are compared, by game title, to the net realizable value of the product and capitalized amounts in excess of net realizable value, if any, are immediately written off. Capitalized software costs were written down by $0, $210,500 and $1,411,784 for the years ended October 31, 1996, 1997 and 1998, respectively, to net realizable value. Amortization of capitalized software costs amounted to $2,964,684, $755,986 and $1,767,486 during 1996, 1997 and 1998, respectively. Capitalized software costs were written down by $168,000 (unaudited) for the three months ended January 31, 1999 to net realizable value. Amortization of capitalized software costs amounted to $50,000 (unaudited) for the three months ended January 31, 1999.

Net Income (Loss) per Share

Net income (loss) per share has been computed in accordance with the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, Earnings per Share ("SFAS No. 128") which requires the presentation of basic earnings per share ("EPS"), which excludes common stock equivalents from its computation and requires the presentation of diluted EPS which gives effect to all dilutive potential common shares that were outstanding during the period. The computation excludes the number of common shares issuable upon the exercise of outstanding options and warrants and the conversion of preferred stock if such inclusion would be anti-dilutive.

Comprehensive Income (Loss)

The Company has adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS No. 130"). Comprehensive income (loss) represents the change in net assets of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income (loss) of the Company includes net income (loss) adjusted for the change in foreign currency translation adjustments. The net effect of income taxes on comprehensive income (loss) is immaterial. The disclosures required by SFAS No. 130 for the years ended October 31, 1996, 1997 and 1998 have been included in the Statements of Stockholders' Equity.

Segment Reporting

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), which established standards for reporting information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 had no impact on the Company's results of operations, financial position or cash flows.

Intangible Assets

Intangible assets consist of trademarks and the remaining excess purchase price paid over identified intangible and tangible net assets of acquired companies. Intangible assets are amortized under the straight-line method over the period of expected benefit of seven years for the Mission Studios acquisition and ten years for the TTE, AIM, DirectSoft and BMG Interactive Group acquisitions (See Note 3). These acquisitions were accounted for as a purchase transaction. The Company assesses the recoverability of its intangible assets by determining whether the carrying amounts can be recovered through estimated future cash flows over its remaining life. If estimated future cash flows indicate that the unamortized balance will not be

2. Significant Accounting Policies and Transactions: -- (Continued)

recovered, an adjustment will be made to reduce the carrying amounts to an amount consistent with estimated future cash flows discounted at the Company's incremental borrowing rate. Cash flow estimates are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. Goodwill amortization expense amounted to $38,965, $496,187 and $1,047,366 for the years ended October 31, 1996, 1997 and 1998, respectively.

Income Taxes

The Company recognizes deferred taxes under the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Foreign Currency Translation

The functional currency for the Company's foreign operations is the applicable local currency. Accounts of foreign operations are translated into U.S. dollars using quarter or year-end exchange rates for assets and liabilities at the balance sheet date and average prevailing exchange rates for the period for revenue and expense accounts. Adjustments resulting from translation are included as a separate component of stockholders' equity.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, prepaid royalties, advances to developers, accounts payable and accrued liabilities, approximate fair value because of their short maturities. The carrying amount of the Company's line of credit, notes payable and capital lease obligation approximates the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar debt obligations at October 31, 1998.

Recently Issued Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained For Internal Use," ("SOP 98-1"). This statement establishes capitalization criteria for external and internal computer software costs and is effective for financial statements for fiscal years beginning after December 15, 1998. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

In April 1998, the AICPA issued, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"), and is effective for fiscal years beginning after December 15, 1998. The statement requires costs of start-up activities and organization costs to be expensed as incurred. Initial application of this SOP should be reported as the cumulative effect of a change in accounting principle. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

In December 1998, the AICPA issued, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" which amends SOP 97-2, "Software Revenue Recognition" ("SOP 98-9"), to require recognition of revenue using the residual method. Under the residual method, the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is deferred and subsequently recognized in accordance with the relevant sections of SOP 97-2 and the difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the

2. Significant Accounting Policies and Transactions: -- (Continued)

delivered elements. Effective December 15, 1998, this SOP amends SOP 98-4, Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition, to extend the deferral of the application of certain passages of SOP 97-2 provided by SOP 98-4 through fiscal years beginning on or before March 15, 1999. All other provisions of this SOP are effective for transactions entered into in fiscal years beginning after March 15, 1999. The Company does not believe this standard will have a material impact on the Company's financial position, results of operations or cash flows.

3. Business Acquisitions:

On September 17, 1996, the Company acquired all the outstanding stock of Mission. The total cost of the acquisition was $2,560,428, consisting of a cash payment of $1,674,478, a note payable of, $315,950, net of discount of $22,000, a promissory note of $130,000, issuance of 182,923 shares of common stock valued at $440,000. The promissory note includes an additional payment of $200,000 which is contingent upon the inclusion of a specific software engine in shipments of Jetfighter IV. If it is subsequently determined that payment is probable, the $200,000 will be recorded as compensation expense.

On July 29, 1997, the Company acquired all the outstanding stock of GameTek (UK) Limited, now known as Take-Two Interactive Software Europe Limited ("TTE"), and ART, and certain software games including Dark Colony, The Quivering and The Reap. TTE is in the business of distributing computer software games in Europe and other international markets and ART is a developer of computer software games. The total cost of the acquisition was $3,848,162, consisting of a cash payment of $100,000, promissory notes in the amount of $700,000, issuance of 406,553 restricted shares of common stock valued at $3,000,000, and direct transaction costs of $48,162. The cost of the acquisition was allocated to the assets acquired and liabilities assumed based upon their estimated fair values as follows:

Working capital	$(1,160,278)
Equipment	59,786
Software titles	1,175,000
Intangibles	3,773,654
	$ 3,848,162

In December 1997, the Company acquired all the outstanding stock of L&J Marketing Inc. d/b/a Alliance Distributors ("Alliance"). Alliance is engaged in the wholesale distribution of interactive software games and videos. Alliance was merged into AIM, a newly formed wholly-owned subsidiary of IMSI. The total cost of the acquisition was $3,369,000, consisting of a cash payment of $1,500,000, issuance of 500,000 shares of restricted common stock valued at $1,615,706 and issuance of 76,000 options valued at $253,294. The cost of the acquisition was allocated to the assets acquired and liabilities assumed based upon their estimated fair values as follows:

Working capital	$1,010,007
Equipment	97,580
Intangibles	2,008,119
Deferred compensation	253,294
	$3,369,000

In March 1998, the Company acquired substantially all of the assets of BMG Interactive Group, a division of BMG Entertainment North America ("BMG"), including direct distribution, sales and marketing offices in France and Germany; a product publishing and distribution group in the United Kingdom; distribution, publishing and certain sequel rights to twelve upcoming video game and PC game product

3. Business Acquisitions: -- (Continued)

releases; and various back catalog publishing and distribution rights. As consideration for these assets, the Company issued to BMG 1,850,000 shares of newly created Series A Convertible Preferred Stock (the "Preferred Stock") valued at $9,539,063. The Preferred Stock was converted into Common Stock in August 1998 on a one-for-one basis.

The cost of the acquisition was allocated to the assets acquired and liabilities assumed based upon their estimated fair values as follows:

Working capital	$ 247,000
Equipment	541,000
Software titles	7,831,125
Intangibles	919,938
	$9,539,063

In June 1998, the Company acquired all of the assets of DirectSoft Australia Pty. Ltd., now known as DirectSoft Pty. Ltd. ("DirectSoft"). DirectSoft is a publisher and distributor of PC and video game software in Australia and New Zealand. As consideration for these assets, the Company issued 40,000 restricted shares of common stock valued at $256,500.

The cost of the acquisition was allocated to the assets acquired and liabilities assumed based upon their estimated fair values as follows:

Working capital	$ 23,131
Equipment	20,215
Intangibles	213,154
	$256,500

The acquisitions described above have been accounted for as purchase transactions in accordance with APB No. 16 and, accordingly, the results of operations and financial position of the acquired businesses are included in the Company's consolidated financial statements from the date of acquisition.

On July 31, 1997, the Company acquired all the outstanding stock of IMSI and CAG. IMSI and CAG are engaged in the wholesale distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of each of IMSI and CAG were exchanged for 900,000 shares of restricted common stock of the Company. IMSI and CAG reported its financial results on an October 31 fiscal year-end basis.

In August 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 common stock of the Company.

In December 1998, the Company acquired all the outstanding stock of Talonsoft. Talonsoft is a developer and publisher of historical strategy games. To effect the acquisition, all of the outstanding shares of common stock of Talonsoft were exchanged for 1,033,336 shares of common stock of the Company.

The acquisitions described above have been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the accompanying financial statements have been restated to include the results of operations and financial position of these acquisitions for all periods presented.

The Company reports its financial results on an October 31 fiscal year-end basis, whereas JAG and Talonsoft reported their financial results on a December 31 calendar year-end basis. For the purposes of restating the Company's financial statements, the Company's balance sheet as of October 31, 1997 was

3. Business Acquisitions: -- (Continued)

combined with JAG's and Talonsoft's balance sheet as of December 31, 1997. In addition, the Company's statement of operations for the years ended October 31, 1996 and 1997 were combined with JAG's and Talonsoft's statement of operations for the years ended December 31, 1996 and 1997, respectively. The Company's statement of operations for the year ended October 31, 1998 includes JAG's and Talonsoft's statement of operations for the period November 1, 1997 to October 31, 1998. Accordingly, JAG's and Talonsoft's net income of $431,527 and $149,562, respectively, for the two months ended December 31, 1997 has been reflected as an adjustment to retained earnings for the year ended October 31, 1998. The results of operations of JAG and Talonsoft for such two months period includes net revenues of $23,893,108 and $351,609, respectively.

The unaudited pro forma data below for the years ended October 31, 1997 and 1998 is presented as if these acquisitions had been made as of November 1, 1996 and 1997, respectively. The unaudited pro forma financial information is based on management's estimates and assumptions and does not purport to represent the results that actually would have occurred if the acquisitions had, in fact, been completed on the dates assumed, or which may result in the future.

	Pro forma Unaudited	
	October 31, 1997	October 31, 1998
Total Revenues:		
Take-Two (1)	$ 19,014,083	$ 26,917,102
Take-Two inclusive of Talonsoft	22,678,346	29,896,996
Take-Two inclusive of Talonsoft and JAG	97,341,225	123,355,052
Take-Two inclusive of all acquired businesses (2)	155,651,480	203,678,899
Net income (loss):		
Take-Two (1)	$ (4,162,083)	$ (54,229)
Take-Two inclusive of Talonsoft	(4,115,870)	181,216
Take-Two inclusive of Talonsoft and JAG	(2,768,393)	1,679,259
Take-Two inclusive of all acquired businesses (2)	(41,951,277)	1,040,760
Net income (loss) per share -- Basic	$ (3.59)	$ 0.07

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(1) includes IMSI and CAG
(2) includes TTE, ART, AIM, BMG, and DirectSoft

4. Inventory:

As of October 31, 1997 and 1998, inventories consist of:

	1997	1998
Parts and Supplies	$ 185,793	$ 166,138
Finished products	12,551,159	26,163,019
Provision	--	(236,616)
	$12,736,952	$26,092,541

5. Advances to Developers:

In May 1998, the Company entered into a distribution agreement with Gathering of Developers I, Ltd. ("Gathering"), pursuant to which Gathering granted the Company (i) the exclusive right to distribute through standard retail channels ten titles designed to operate on the PC platform in the United States and Canada during the later of a four-year period or three years following the release of any such product; (ii) a non-exclusive right to distribute the products on-line; and (iii) certain rights of first refusal to distribute the products designed for use on console platforms in North America, Europe, Israel, Australia and Africa. As an advance against future product purchases of the various game titles, the Company paid Gathering $7,500,000. Under the agreement, the Company receives a distribution fee ranging from 12% to 20% based upon the quantities sold. Advances are recouped from customer receipts, net of the Company's distribution fee. Of the $7,500,000 advance, $4,319,989 is remaining as of October 31, 1998. Actual game title sales through October 31, 1998 and remaining sales forecasts indicate that the advance will be fully recouped during the year ending October 31, 1999.

6. Fixed Assets:

As of October 31, 1997 and 1998, fixed assets consist of:

	1997	1998
Computer equipment	$ 1,670,278	$ 1,691,801
Office equipment	372,517	629,459
Computer software	2,677	43,151
Furniture and fixtures	257,900	554,343
Automobiles	189,810	323,957
Leasehold improvements	107,479	232,784
Capital leases	164,945	248,462
	2,765,606	3,723,957
Less, accumulated depreciation and amortization	(1,024,363)	(1,744,299)
	$ 1,741,243	$ 1,979,658

Depreciation expense for the years ended October 31, 1996, 1997 and 1998 amounted to $303,167, $507,951 and $787,691, respectively.

7. Lines of Credit:

a. In December 1995, the Company entered into a line of credit agreement with a bank which provides for up to $250,000 of short-term financing at the rate of prime plus 1% per annum (9.5% and 9.0% as of October 31, 1997 and 1998, respectively). Substantially all the Company's assets were pledged as collateral and the repayment of advances was personally guaranteed by a shareholder and officer of the Company. In addition, the Company was required to maintain a minimum balance of $50,000 at all times. The line of credit was due and payable only if the lender terminates the right to obtain future loans under such facility. Upon this event, the Company was required to pay the then outstanding amounts in 24 equal installments. The Company has classified 12 monthly payments as current. The outstanding available credit under this facility was $3,003, as of October 31, 1997 and 1998. In December 1998, the outstanding balance of the line of credit was repaid.

b. In February 1997, IMSI entered into a line of credit agreement which provided for up to $250,000 of short-term financing at the prime rate plus .5% per annum (9.0% as of October 31, 1997). Borrowings under the line were collateralized by the assets of IMSI. The agreement was cancelable at any time. There was no available credit under this facility at October 31, 1997. In December 1997, IMSI repaid the principal amount of such indebtedness.

7. Lines of Credit: -- (Continued)

c. In September 1997, Talonsoft entered into a line of credit agreement which provides for up to $250,000 of short-term financing at the prime rate plus 1.0% per annum (9.5% as of October 31, 1997 and 1998). Borrowings under the line are collateralized by the assets of Talonsoft. The agreement is cancelable at any time. The available credit under this facility at October 31, 1997 and 1998 was $250,000 and $175,000, respectively.

d. In December 1997, IMSI and AIM entered into a revolving line of credit agreement, as amended in March 1998 and September 1998, with NationsBank, N.A. The line provides for borrowings of up to $10,000,000. Advances under the line of credit are based on a borrowing formula equal to the lesser of (i) $10,000,000 or (ii) 80% of eligible accounts receivable plus 50% of eligible inventory. Interest accrues on such advances at a rate of .75% over NationsBank's prime rate (8.75% as of October 31, 1998) and is payable monthly. Borrowings under the line of credit are collateralized by the assets of IMSI and AIM and are guaranteed by the Company. The loan agreement limits or prohibits IMSI and AIM, subject to certain exceptions, from declaring or paying cash dividends, merging or consolidating with another corporation (excluding the Company), selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The outstanding balance and available credit under this facility was $6,922,860 and $370,754, respectively, at October 31, 1998. In December 1998, the line was increased to $11,000,000. The line of credit expires on May 31, 1999.

e. In December 1996, TTE entered into a line of credit agreement (as amended in September 1997, April 1998 and July 1998) with Barclays Bank. The line of credit provided for borrowings of up to approximately British Pounds 400,000 ($670,000) and British Pounds 900,000 ($1,506,330), respectively, as of October 31, 1997 and 1998. Advances under the line of credit bear interest at the rate of 9.0% and 10.25% as of October 31, 1997 and 1998, respectively, payable quarterly. Borrowings are collateralized by TTE's receivables which must at all times be at least three times the amount outstanding on the line of credit and are guaranteed by the Company. The available credit under this facility was British Pounds 82,781 ($138,659) and British Pounds 664,759 ($1,112,607) at October 31, 1997 and 1998, respectively. In January 1999, the line was increased to British Pounds 2,000,000 ($3,347,200).

f. In August 1998, JAG entered into a Second Amended and Restated Loan and Security Agreement with respect to its revolving line of credit with The Provident Bank ("Provident") as amended in October 1998. The agreement with Provident provides for aggregate borrowings by JAG including a revolving line of credit up to $17.5 and $25 million, as of October 31, 1997 and 1998, respectively. Advances under the line of credit are based on a borrowing formula with respect to eligible inventory and accounts receivable. Interest accrues on such advances at the prime rate established by Provident from time to time plus 1.25% (9.75% and 9.25% as of October 31, 1997 and October 31, 1998, respectively) and is payable monthly. Borrowings under the line of credit are collateralized by accounts receivable and inventory of JAG and guaranteed by the Company as well as principal stockholders of the Company. The loan agreement limits or prohibits JAG, subject to certain exceptions, from declaring or paying cash dividends, merging or consolidating with another company (excluding the Company), selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The line of credit expires on June 1, 1999. In connection with the loan agreement, the Company issued Provident warrants to purchase 20,000 shares of the Company's common stock at an exercise price of $5.625 per share. The outstanding balance and available credit under the revolving line of credit is $13,835,575 and $3,664,425 as of October 31, 1997, respectively, and $22,711,815 and $2,228,185, after a $60,000 letter of credit, as of October 31, 1998, respectively. In December 1998, the revolving line of credit was increased to $28 million and the personal guarantees were released.

The Company has negotiated a new financing to replace existing lines of credit at AIM and JAG. See Note 17.

8. Notes Payable:

a. Term Notes

In August 1997, JAG entered into a term note for the purchase of equipment in the amount of $200,000 payable in 24 monthly installments of $9,230, at an annual interest rate of 10%. The note is collateralized by a first lien on substantially all the assets of the JAG. As of October 31, 1997 and 1998, the principal amount of $177,457 and $97,132, respectively, was outstanding on the note. Also, in 1997, JAG entered into a note payable in the amount of $2,000,000 with Provident, payable June 1, 1999. The note is collateralized by a first lien on substantially all the assets of JAG and the guarantees of two of JAG's stockholders. Interest accrues at 16.5% per annum, payable monthly. As of October 31, 1997, the principal amount of $2,000,000 was outstanding on the note. In October 1998, JAG repaid the note.

In September 1997, Talonsoft entered into a term note for the purchase of computer equipment in the amount of $60,000 payable in 36 monthly installments of $1,911, at an annual interest rate of 9%. The note is collateralized by substantially all the assets of Talonsoft. As of October 31, 1997 and 1998, the principal amount of $55,476 and $45,735, respectively, was outstanding on the note. Also, in May 1998, Talonsoft entered into a term note for the purchase of furniture and fixtures in the amount of $100,000 payable in 60 monthly installments of $1,985, at an annual interest rate of 6.99%. The note is collateralized by substantially all the assets of Talonsoft. As of October 31, 1998, the principal amount of $91,665 was outstanding on the note.

b. Notes Payable to Related Parties

In connection with the purchase of Mission, the Company entered into a purchase money note in the amount of $337,750 payable in 36 monthly installments of $10,224, at an annual interest rate of 6%. The note was recorded net of a discount of approximately $22,000 using the Company's incremental borrowing rate at the date of acquisition of 10.25%. The discount is being amortized over the term of the note using the "interest method". As of October 31, 1997 and 1998, the remaining unamortized discount amounted to approximately $9,000 and $2,300, respectively. The note is collateralized by the issued and outstanding stock of Mission. As of October 31, 1997 and 1998 the principal amounts of $212,671 and $106,905, respectively, were outstanding on the note. The outstanding principal amounts are net of the remaining unamortized discounts.

In connection with the acquisition of Mission, the Company assumed debt of $15,000 in the form of a promissory note, bearing interest at 12% per year to a related party. The principal balance and any accrued interest is due in six months upon demand by the related party, or if no demand is made the obligation is due on December 31, 1998. As of October 31, 1997 and 1998, the outstanding principal and interest balance was $15,600 and $16,050, respectively. Interest expense was $3,567 and $1,827 for the years ended October 31, 1997 and 1998. In December 1998, the promissory note and accrued interest balances were repaid.

In September 1996, a group of related parties loaned the Company an aggregate of $2,088,539 in exchange for promissory notes that bear interest at prime plus 2% per annum (10.5% as of October 31, 1997). The prime rate is defined as the Chase Manhattan Bank, N.A.'s prime rate during the term of the loan. The related parties also received warrants to purchase an aggregate of 417,234 shares of common stock at an exercise price of less than one cent per share. The warrants expire on August 12, 2001. The Company has recorded the notes at a discount of $750,197 to reflect an allocation of the proceeds to the estimated value of the warrants and is being amortized into interest expense using the "interest method" over the term of the financing. The estimated value of the warrants were based on the Company's application of a commonly recognized pricing model.

In January 1997, one noteholder agreed that his portion of the notes of $1,565,180 ($1,115,062, net of discount of $450,118) would be repaid upon the earlier of thirteen months from the consummation of an

8. Notes Payable: -- (Continued)

initial public offering or June 30, 1998. In consideration for this extension, the interest rate was increased to 14% per annum. In August 1997, the Company repaid $750,000 principal amount of such indebtedness. In September 1997, the Company obtained bank financing to repay the balance of $815,180 in principal amount of such indebtedness (See Note 8d).

Approximately $150,000 and $600,000 of the discount was included as interest expense for the years ended October 31, 1996 and 1997, respectively. As of October 31, 1997, $149,748 of principal and $18,266 of interest remained outstanding. In October 1998, the principal amount and accrued interest of such indebtedness was repaid.

In June and July 1998, Talonsoft entered into two promissory notes of $50,000 each with a shareholder and employee that bear interest at a rate of 7.0% per annum. In December 1998, one of the promissory notes and accrued interest balance were repaid.

c. Securities Purchase Agreement-Convertible Notes

Pursuant to a Securities Purchase Agreement, dated October 14, 1997, the Company issued and sold to Infinity Investors Limited, Infinity Emerging Opportunities Limited and Glacier Capital Limited (collectively, the "Funds") (i) 10% collateralized convertible notes (the "Notes") in the aggregate principal amount of $4,200,000; (ii) 50,000 shares of Common Stock, par value $.01 per share (the "Grant Shares"); and (iii) five-year warrants (the "Warrants") to purchase 250,000 shares of Common Stock (the "Warrant Shares") exercisable at a price of $6.46 per share. The net proceeds to the Company from the sale of the Notes, Grant Shares and Warrants was $4,007,000. In addition, the Company paid a third party $168,000, and issued it 5,000 shares of Common Stock and 20,000 warrants to acquire Common Stock; as a fee for services rendered in connection with the transactions.

The Company has recorded the notes at a discount of $993,800 to reflect an allocation of the proceeds to the estimated value of the warrants and common stock. The discount is being amortized into interest expense using the "interest method" over the term of the financing. $110,422 and $883,378 of such discount was included in interest expense for the years ended October 31, 1997 and 1998, respectively. Interest is payable quarterly until maturity. The Notes mature on September 30, 1999 and may be accelerated under certain circumstances. Notes repaid after February 28, 1998 are repayable at a premium, as defined in the agreement. In February 1998, the Notes and accrued interest balances were repaid.

In addition, the Company has recorded $276,980 as deferred financing costs. These costs are being amortized over the term of the financing. $30,776 and $246,204 of such costs was included in general and administrative expense for the years ended October 1997 and 1998, respectively.

Interest accrued on the outstanding principal amount of the Convertible Notes at the rate of 10% per annum and is payable quarterly.

Pursuant to the Securities Purchase Agreement, the Company was required to issue additional shares to the Funds in the event that the closing bid price of the Company's Common Stock during the effectiveness of a registration statement, as defined, does not equal $7.75. As a result, in November 1998, 5,043 shares of common stock were issued.

d. Promissory Notes

In September 1997, Take-Two entered into a promissory note agreement with a bank in the amount of $800,000 payable in 9 monthly installments of $30,000 and the balance of $530,000 payable on June 30, 1998. The note bears interest at prime plus 2% per annum (10.5% as of October 31, 1997), payable monthly. The note is personally guaranteed by related parties and is collateralized by substantially all the assets of the Company. The Company must at all times maintain certain financial ratios and maintain on deposit at the bank

8. Notes Payable: -- (Continued)

a cash balance of the lesser of (i) $500,000 or (ii) the aggregate amount outstanding under the promissory note which was $740,000 as of October 31, 1997. As of October 31, 1997, the cash balance at the bank was $933,496. In January 1998, the promissory note was repaid.

In connection with the TTE and ART acquisitions, in July 1997, the Company issued an unsecured promissory note to GameTek's secured creditors in the amount of $500,000 payable in two equal annual installments of $250,000 on July 28, 1998 (which was repaid in July 1998) and July 29, 1999, bearing interest at a rate of 8% per annum, payable quarterly. In July 1998, the Company issued 32,138 shares of Common Stock in consideration of the cancellation of $250,000 of indebtedness. See Note 14 to Notes to Consolidated Financial Statements.

9. Accrued Expenses:

Accrued expenses as of October 31, 1997 and 1998 consist of:

	1997	1998
Accrued co-op advertising, price protection and product discounts	$ 136,088	$ 3,075,340
Accrued VAT and corporate taxes payable	641,687	2,444,482
Accrued sales commissions	329,454	331,149
Royalties payable	1,091,110	2,143,302
Other	1,279,101	2,981,089
Total	$3,477,440	$10,975,362

10. Commitments and Contingencies:

Capital Leases

The Company leases equipment under capital lease agreements which extend through fiscal year 2002. Future minimum lease payments under these capital leases, together with the present value of such payments as of October 31, 1998 is as follows:

Year ending October 31:	
1999	$ 99,122
2000	75,754
2001	20,179
2002	4,068
Total minimum lease payments	199,123
Less, amounts representing interest	(22,708)
Present value of minimum obligations under capital leases	$ 176,415

In April 1998, the Company recorded an extraordinary loss of $225,395 for the early termination of a capital lease for computer equipment. The lease was scheduled to expire in June 2000 and the early termination resulted in a cash payment of $233,145 and the write-off of net assets and liabilities totaling $276,761 and $284,511, respectively.

Lease Commitments

The Company leases 13 office and warehouse facilities. The corporate headquarters is under a noncancelable operating lease with related parties and expires in April 2000. Rent expense and certain utility expense under this lease amounted to $88,631, $111,400 and $132,719 for the years ended October 31, 1996,

10. Commitments and Contingencies: -- (Continued)

1997, and 1998, respectively. The other offices are under noncancelable operating leases expiring at various times from December 1998 to August 2006. In addition, the Company has leased certain equipment under noncancelable operating leases which expire through September 2001.

Future minimum rentals required as of October 31, 1998 are as follows:

Year ending October 31:	
1999	$ 1,286,327
2000	982,520
2001	794,259
2002	494,837
Thereafter	738,134
Total minimum lease payments	$ 4,296,077

Rent expense amounted to $339,934, $734,217 and $921,206 for the years ended October 31, 1996, 1997 and 1998, respectively.

Legal Proceedings

In August 1998, the Company entered into an agreement to resolve the litigation that was filed by Navarre Corporation in January 1997 which alleged that the Company breached a distribution agreement by failing to remit monies for product returns and marketing charges. The Company settled the litigation by providing Navarre product having an aggregate cost of $249,124 by January 31, 1999. If the Company fails to provide the full amount of product by January 31, 1999, the balance will be payable in cash. The loss on settlement was recorded in the 1998 financial statements.

11. Employee Savings Plans:

In January 1995, the Company established a 401(k) profit sharing plan and trust (the "Plan"). The Plan is offered to all eligible employees and participants may make voluntary contributions to the Plan up to 15% of their salary. The Company does not match employee contributions.

12. Income Taxes:

The Company is subject to foreign withholding taxes in certain countries where it does business. Domestic and foreign pre-tax income was $(3,393,650) and $655,068) for 1997 and $4,000,037 and 3,009,669 in 1998, respectively. 1996 foreign income was immaterial to the financial statements. As of October 31, 1997, the Company had cumulative federal and state net operating loss carryforwards of approximately $5,400,000 and $3,400,000, respectively, which if not offset against future taxable income, will expire in fiscal year 2011.

The retroactive restatement of the pooled entities, see Note 3, did not result in an additional income tax provision as the Company's net operating losses were used to offset the taxable income of the respective pooled entities.

Income tax expense is as follows:

	Years ended October 31,		
	1996	1997	1998
Current:			
Federal	$ --	$ --	$ --
State and local	13,100	11,368	213,793
Foreign	29,049	18,421	393,071
Deferred	269,289	1,728,577	1,442,526
Increase (decrease) in valuation allowance	(269,289)	(1,728,577)	(2,383,526)
Total	$ 42,149	$ 29,789	$ (334,136)

12. Income Taxes: -- (Continued)

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	1996	1997	1998
Effective tax rate reconciliation:			
Statutory federal tax rate (benefit)	34.0%	(34.0)%	34.0%
State taxes, net of federal benefit	2.5%	(4.9)%	1.9%
Foreign taxes	1.5%	3.0%	--
Disqualified ISO disposition	--	--	(5.0)%
Effect of valuation allowance	(41.9)%	40.9%	(37.9)%
Goodwill amortization	2.5%	4.9%	3.8%
Other	3.9%	(8.8)%	(1.5)%
	2.5%	1.1%	(4.7)%

The components of the net deferred tax asset as of October 31, 1998 consists of the following:

	1997	1998
Capitalized software	$ (681,994)	$ (1,361,166)
Bad debt allowance	--	428,815
Other	2,100	(5,419)
Foreign tax credit carryforward	125,788	348,788
Deferred revenue	596,242	55,760
Depreciation and amortization	(105,910)	(87,280)
Research and experimental credit carryforward	185,509	--
Net operating loss carryforword	2,315,915	1,561,502
Net deferred tax asset	2,437,650	941,000
Less, valuation allowance	(2,437,650)	--
Deferred tax asset	$ --	$ 941,000

Due to the probability that the Company will utilize the deferred tax asset in the future, the Company recorded this asset in the amount of $941,000 as of October 31, 1998.

13. Stockholders' Equity (See Notes 2, 3, 7 and 14):

Private Placement

In March 1998, the Company sold 158,333 shares of Common Stock in a private placement and received net proceeds of $898,333.

In May 1998 the Company consummated a private placement of 770,000 shares of Common Stock and received proceeds of $5,057,000, net of issuance costs.

Class A Preferred Stock

In November 1997, the Company redeemed the 317 shares of Class A Preferred Stock at the redemption price of $1.00 per share.

Class B Preferred Stock

In February 1997, the holder of Class B Preferred Stock elected to convert all outstanding shares into 409,791 shares of common stock. Accordingly, all dividends in arrears became due upon conversion. As an

13. Stockholders' Equity (See Notes 2, 3, 7 and 14): -- (Continued)

inducement to enter into such agreement, in February 1997, the Company issued options to purchase 38,746 shares of Common Stock at an exercise price of $2.41 per share. Approximately, $100,000 has been recorded as an additional dividend as a result of the issuance of these options for the fiscal year ended October 31, 1997, and is reflected in the earnings per share computations for such period. In addition, the Company entered into a three-year consulting agreement pursuant to which the Stockholder agreed to provide management consulting services to the Company in consideration of the payment of $100,000 over the term of the agreement.

Series A Preferred Stock

In March 1998, the Company issued 1,850,000 shares of Series A Convertible Preferred Stock in connection with the acquisition of substantially all of the assets of BMG Interactive Group. The Preferred Stock is convertible on a one-for-one basis into shares of Common Stock, and is not entitled to receive dividends and has a liquidation preference of $6.875 per share. In August 1998, BMG shareholders elected to convert all outstanding shares into 1,850,000 shares of common stock.

Warrants

In June 1998 the Company, pursuant to a cashless exercise, announced that the 1,840,000 public warrants issued in connection with its initial public offering, could elect to receive one share of the Company's Common Stock for two warrants surrendered to the Company at any time until August 25, 1998. As of August 25, 1998, an aggregate of 1,794,366 warrants were exchanged for 897,183 shares of Common Stock.

In August 1998, the Company issued 160,000 shares of Common Stock in connection with a cashless exercise of the 320,000 underwriters' warrants that were issued with its initial public offering.

As of October 31, 1997 and 1998, there are currently outstanding common stock purchase warrants for an aggregate of 2,821,199 and 347,894 shares of the Company's Common Stock, respectively, at prices ranging from $.01 to $9.08.

1994 Stock Option Plan

In August 1994, the Company adopted the 1994 Stock Plan, (the "Plan"), pursuant to which qualified options to acquire an aggregate of 896,654 shares of common stock, may be granted to key employees, consultants, officers and directors of the Company. The Plan authorizes the Board to issue incentive options ("ISO"), as defined in Section 422 of the Internal Revenue Code (the "Code"). The exercise price of each ISO may not be less than 100% of the fair market value of the common stock at the time of grant, except that in the case of a grant to an employee who owns (within the meaning of Code Section 422) 10% or more of the outstanding stock of the Company (a "10% Stockholder"), the exercise price shall not be less than 110% of such fair market value. Each option is to expire at such date as the Board of Directors determines. Options may not be exercised prior to one month from the day on which such option is granted, or on or after the tenth anniversary (fifth anniversary in the case of an ISO granted to a 10% Stockholder) of their grant. Options may not be transferred during the lifetime of an option holder.

As of October 31, 1997 and 1998, there are currently outstanding stock options for an aggregate of 879,991 and 639,676 shares of the Company's Common Stock, respectively, at prices ranging from $.92 to $2.41 per share expiring at various times from 1999 to 2005.

1997 Stock Option Plan

In January 1997, the stockholders of the Company approved the Company's 1997 Stock Option Plan, as previously adopted by the Company's Board of Directors (the "Plan"), pursuant to which officers, directors,

13. Stockholders' Equity (See Notes 2, 3, 7 and 14): -- (Continued)

and/or key employees and/or consultants of the Company can receive incentive stock options to purchase up to an aggregate of 400,000 shares of the Company's Common Stock. In April 1998, the aggregate number of options to be granted under the Plan was increased to 2,000,000.

The Plans are administered by the Board of Directors. Subject to the provisions of the Plans, the Board of Directors or any Committee appointed by the Board of Directors, has the authority to determine the individuals to whom the stock options are to be granted, the number of shares to be covered by each option, the option price, the type of option, the option period, restrictions, if any, on the exercise of the option, the terms for the payment of the option price and other terms and conditions. Payment by the option holders upon exercise of an option may be made (as determined) in cash or other such form of payment acceptable to the Board of Directors.

As of October 31, 1997 and 1998, there are currently outstanding stock options for an aggregate of 390,000 and 1,825,204 shares of the Company's Common Stock, respectively, at prices ranging from $5.00 to $7.125 per share vesting at various times from 1997 to 2001 and expiring at various times from 2002 to 2008.

Non-Plan Stock Options

In February 1996 and October 1998, the Board of Directors of the Company authorized the issuance of non-plan stock options to purchase up to 166,320 shares of the Company's Common Stock.

For those options with exercise prices less than fair value at the measurement date, the difference is amortized over the vesting period. Compensation expense for the years ended October 31, 1996, 1997, and 1998 approximated $17,000, $17,000 and $121,000, respectively.

As of October 31, 1997 and 1998, there are outstanding stock options for an aggregate of 101,108 and 166,320 shares of Common Stock, respectively, at prices ranging from $1.16 to $2.50 per share vesting from 1998 to 2001 and expiring at various times from 1999 to 2006.

The following table summarizes the activity in options under the plans inclusive of non-plan options:

	Shares	Weighted Average Exercise Price
Options outstanding -- November 1, 1995	830,137	$ 0.90
Granted -- exercise price equal to fair value	66,518	$ 2.41
Granted -- exercise price less than fair value	41,573	$ 1.16
Exercised	(1,663)	$ 0.45
Options outstanding -- October 31, 1996	936,565	$ 1.02
Granted -- exercise price equal to fair value	449,534	$ 4.71
Exercised	(15,000)	$ 0.92
Options outstanding -- October 31, 1997	1,371,099	$ 2.23
Options exercisable -- October 31, 1997	1,073,957	
Granted -- exercise price equal to fair value	1,540,000	$ 5.29
Granted -- exercise price less than fair value	106,000	$ 2.14
Exercised	(252,000)	$ 0.63
Forfeited	(133,899)	$ 5.18
Options outstanding -- October 31, 1998	2,631,200	$ 4.02
Options exercisable -- October 31, 1998	1,019,008	

13. Stockholders' Equity (See Notes 2, 3, 7 and 14): -- (Continued)

The following summarizes information about stock options outstanding at October 31, 1997 and 1998:

Exercise Price Shares	Shares	Weighted Average Exercise Price	Average Remaining Contractual Life
$0.92 -- $2.41	981,099	$ 1.10	6.19
$5.00 -- $5.50	390,000	$ 5.06	5.61
Options outstanding -- October 31, 1997	1,371,099	$ 2.23	6.00
$0.92 -- $2.41	826,784	$ 1.37	5.10
$5.00 -- $7.125	1,804,416	$ 5.22	4.61
Options outstanding -- October 31, 1998	2,631,200	$ 4.02	4.64

The Company applies APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. The Company has adopted the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in 1996, 1997, and 1998 consistent with the provisions of SFAS No. 123, the Company's income (loss) and earnings (loss) per share would have been reduced to the pro-forma amounts indicated below.

	1996	1997	1998
Net income (loss)			
As reported	$ 1,664,141	$ (2,903,809)	$ 7,181,094
Pro-forma	$ 1,619,243	$ (2,708,400)	$ 6,500,790
Net income (loss)			
As reported-Basic	$ .16	$ (.25)	$ .49
Pro-forma-Basic	$ .16	$ (.23)	$ .44

The pro-forma disclosures shown are not representative of the effects on income (loss) and earnings (loss) per share in future years.

The fair value of the Company's stock options used to compute pro-forma income (loss) and earning (loss) per share disclosures is the estimated present value at the grant date using the Black-Scholes option-pricing model. The following weighted average assumptions were used to value grants for 1998, 1997 and 1996: expected volatility of 60%, 60% and 55%; a risk-free interest rate of 6.22%, 6.22% and 5%; and an expected holding period of seven years, seven years and four to five years, respectively.

14. Extraordinary Event Net Loss on Early Extinguishment of Debt:

In July 1998, the Company issued 32,138 shares of Common Stock, having a market value of $187,353, to Ocean Bank as payment in full for a promissory note due July 29, 1999. The gain on the early extinguishment of debt amounted to $62,647.

The Company also recorded a loss of $225,395 on the early termination of a capital lease. See Note 10.

15. Net Income (Loss) per Share:

The computation for diluted number of shares excludes unexercised stock options and warrants which are antidilutive. The number of such shares were 0, 4,192,298 and 50,000 for the years ended October 31, 1996, 1997, 1998, respectively, and 590,000 and 0 for the three months ended January 31, 1998 and 1999 (unaudited), respectively.

The supplemental net income loss per share attributable to common shareholders presented on the income statement is provided to give effect to the distributions paid to S corporation shareholders prior to the acquisitions, see Note 3, of $1,005,800, $673,092 and $931,000 for 1996, 1997 and 1998, respectively, and $362,000 (unaudited) for the three months ended January 31, 1998.

The following table provides a reconciliation of basic earnings per share to dilutive earnings per share for the years ended October 31, 1996, 1997 and 1998 and for the three months ended January 31, 1998 and 1999.

15. Net Income (Loss) per Share: -- (Continued)

	Income (Loss) Before Preferred Dividends	Shares	Pro Forma Per Share Amount
Year Ended October 31, 1996			
Basic EPS	$ 1,664,141	10,281,000	$ .16
Effect of dilutive securities -- Stock options and warrants	--	1,173,400	(.01)
Diluted EPS	$ 1,664,141	11,454,400	$ .15
Year Ended October 31, 1997			
Basic EPS	$ (2,903,809)	11,697,342	$ (.25)
Effect of dilutive securities -- Stock options and warrants	--	--	--
Diluted EPS	$ (2,903,809)	11,697,342	$ (.25)
Year Ended October 31, 1998			
Extraordinary net loss on early extinguishment of debt -- Basic	(162,748)	14,746,854	(.01)
Extraordinary net loss on early extinguishment of debt -- Diluted	(162,748)	17,062,806	(.01)
Basic EPS after extraordinary net loss on early extinguishment of debt	$ 7,181,094	14,746,854	$ .49
Effect of dilutive securities -- Stock options and warrants	--	2,315,952	(.07)
Diluted EPS after extraordinary net loss on early extinguishment of debt	$ 7,181,094	17,062,806	$ .42
Three Months Ended January 31, 1998 (unaudited):			
Basic EPS	$ 1,821,181	13,258,379	$ .14
Plus: Impact from assumed conversion of 10% convertible notes	96,330	65,338	
Effect of dilutive securities -- Stock options and warrants	--	1,548,794	(.01)
Diluted EPS	$ 1,917,511	14,872,511	$ .13
Three Months Ended January 31, 1999 (unaudited):			
Basic EPS	$ 2,894,836	18,212,240	$ .16
Effect of dilutive securities -- Stock options and warrants	--	1,322,171	(.01)
Diluted EPS	$ 2,894,836	19,534,411	$ .15

16. Related-Party Transactions:

In February 1994, the Company entered into a consulting agreement with a shareholder. The agreement provides for an annual consulting fee of $75,000 and expires in February 1999. The Company owes approximately $61,000 and $66,229 under the consulting agreement as of October 31, 1997 and October 31, 1998, respectively.

During the years ended October 31, 1997 and 1998, IMSI and AIM paid sales commissions of $18,603 and $39,812, respectively, to an affiliate of a stockholder. In addition, as of October 31, 1997 and 1998, there was $42,978 due from related parties relating to advances made prior to the acquisition of IMSI. These advances have no repayment terms.

During the years ended October 31, 1997 and 1998, JAG paid sales commissions of $20,000 and $20,342, respectively, to a stockholder and employee. In addition, JAG paid $231,567 and $145,275 for the years ended October 31, 1997 and 1998, respectively, for purchases of inventory from a related party.

17. Subsequent Events (Unaudited):

In February 1999, the Company acquired all of the outstanding capital stock of L.D.A. Distribution Limited ("LDA") and its subsidiary, Joytech Europe Limited ("Joytech"), a company incorporated in the United Kingdom. LDA is engaged in the distribution of video game software in the United Kingdom and France and Joytech is a third-party publisher of computer peripherals for first-party console manufacturers. The Company paid British Pounds200,000 (approximately $328,000) and issued 580,000 shares of restricted Common Stock. The acquisition will be accounted for as a purchase transaction.

In February 1999, the Company purchased a 19.9% class A limited partnership interest in Gathering of Developers I, Ltd. ("Gathering"). Gathering is a developer-driven computer and video game publishing company. The Company's investment in Gathering aggregated $4 million, payable in six equal monthly installments of $667,000. The general partner and each class B limited partner of Gathering granted the Company an option to purchase their interests, exercisable on two separate occasions during the six-month periods ending April 30, 2001 and 2002. In consideration of the option grant, the Company issued to the general partner and the class B limited partners 125,000 shares of Common Stock. The Company also granted to the general partner and class B limited partners an option to purchase the Company's class A limited partnership interest, exercisable during the six-month period ending April 30, 2003.

In February 1999, the Company amended its distribution agreement ("the Agreement") with Gathering which granted the company (i) the exclusive right to distribute in the United States and Canada all products designed by Gathering to operate on PC platforms and scheduled to be released by May 31, 2003; (ii) the exclusive right to publish in Europe all products designed by Gathering to operate on PC platforms and scheduled to be released by May 31, 2003; (iii) until recoupment of the advances described below, rights of first and last refusal for the exclusive worldwide publishing rights to any console version of products for which Gathering has publishing rights; and (iv) after recoupment of such advances, the rights of first and last refusal for publishing rights and which Gathering has publishing by or on behalf of Gathering on the PC or other non-console platform.

The agreement obligates the Company to pay Gathering recoupable advances of $12,500,000, payable over one year from the date of the agreement. The agreement is terminable by the Company with respect to a particular title in the event Gathering fails to deliver a title 60 days after its delivery date specified in the agreement or Gathering otherwise materially breaches the agreement. In any such event, Gathering is obligated to pay the Company the un-recouped portion of the advance attributable to a particular title. In addition, Gathering may terminate the agreement with respect to a particular title in the event the Company materially breaches the agreement and, upon any subsequent two material breaches, may terminate the entire agreement.

In February 1999, JAG entered into a line of credit with NationsBank, N.A. ("NationsBank") which provides for borrowings of up to $35,000,000 through September 30, 1999 and $45,000,000 thereafter. This line replaces the existing credit lines held separately by JAG and AIM. Advances under the line of credit are based on a borrowing formula equal to the lesser of (i) the borrowing limit in effect at the time or (ii) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at NationsBank's prime rate plus 0.5% and is payable monthly. Borrowings under the line of credit are collateralized by all of JAG's accounts, inventory, equipment, general intangibles, securities and other personal property. In addition to certain financial covenants, the loan agreement limits or prohibits the Company from declaring or paying cash dividends, merging or consolidation with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The line of credit expires on February 28, 2001.

In February 1999, the Company acquired DVDWave.com, an on-line marketer of DVD movie titles over the Internet, for 50,000 shares of the Company's common stock. The acquisition will be accounted for as a purchase transaction.

Description of Artwork:

Three globes with Take-Two offices marked with stars

We have not authorized any dealer, salesperson or other person to give any information or represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus does not offer to sell or buy any shares in any jurisdiction where it is unlawful. The information in this prospectus is current only as of its date.

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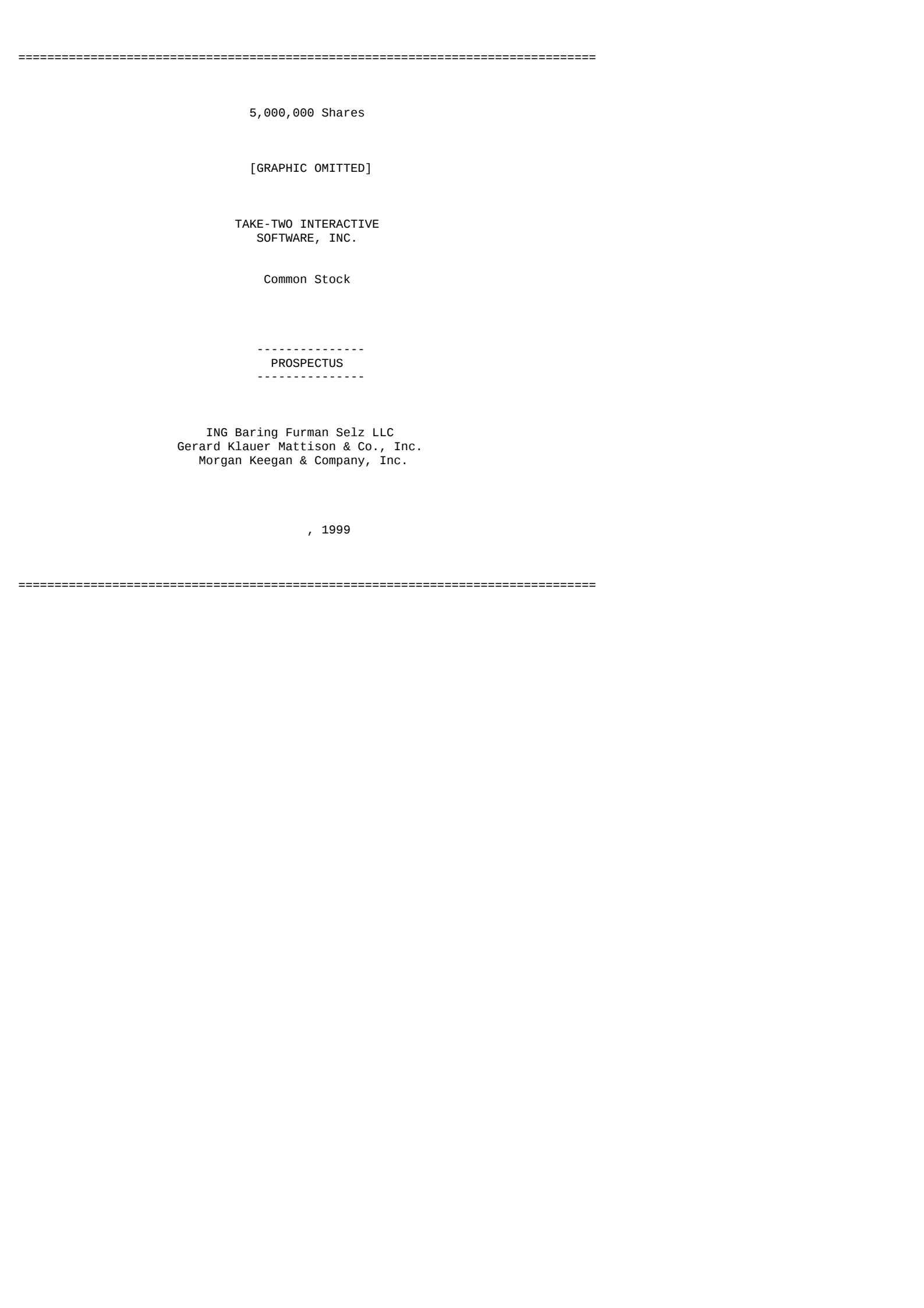
5,000,000 Shares



TAKE-TWO INTERACTIVE
SOFTWARE, INC.

Common Stock

PROSPECTUS

ING Baring Furman Selz LLC
Gerard Klauer Mattison & Co., Inc.
Morgan Keegan & Company, Inc.

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

SEC registration	$ 14,586.31
NASD fee	$ 5,746.88
NASDAQ additional listing fee.	$ 17,500
Printing and engraving costs	125,000
Legal fees and expenses.	175,000
Accounting fees and expenses	125,000
Blue Sky fees and expenses	10,000
Transfer agent and registrar fees and expenses	10,000
Miscellaneous.	$ 217,166.81
Total	$ 700,000.00

- ------------

Item 14. Indemnification of Directors and Officers.

Section 145 of the General Corporation Law of the State of Delaware contains provisions permitting a corporation's directors and officers to be indemnified in certain circumstances against judgments, fines, amounts paid in settlement and reasonable expenses (including attorneys' fees) incurred as the result of an action or proceeding in which they may be involved by reason of having been a director or officer.

Section 102(b) of the Delaware General Corporation Law permits a corporation, by so providing in its certificate of incorporation, to eliminate or limit the personal liability of directors to the corporation and its stockholders for monetary damages for breaches of their fiduciary duty. This section does not permit a corporation to eliminate or limit the liability of a director with respect to any of the following: (i) breaches of the director's duty of loyalty to the corporation or its stockholders; (ii) acts or omissions not made in good faith or which involve intentional misconduct or knowing violations of law; (iii) liability under Section 174 of the Delaware General Corporation Law; or (iv) any transaction from which the director derived an improper personal benefit. This section does not authorize any limitation on the ability of the corporation or its stockholders to obtain injunction relief, specific performance or other equitable relief against directors.

Article Six of the Company's Certificate of Incorporation provides that no director of the Company shall be personally liable to the Company or its stockholders for any monetary damages for breaches of fiduciary duty to the Company or its stockholders except for (i) any breach of the director's duty of loyalty to the Company or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the General Corporation of Law of the State of Delaware; or (iv) any transaction from which the director derived an improper personal benefit.

Article Seven of the Company's Certificate of Incorporation and the Company's By-laws provide that the Company shall indemnify its directors and officers to the extent permitted under the General Corporation Law of the State of Delaware from time to time. This right of indemnification is not exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise.

Insofar as indemnification for liabilities under the Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

In the Underwriting Agreement, the proposed form of which is filed as Exhibit 1.1, the Underwriters agree to indemnify the directors and certain officers of the Company and certain other persons against certain civil liabilities.

Item 15. Recent Sales of Unregistered Securities.

During the past three years, the Company sold the following unregistered securities:

In September 1996, the Company issued (i) $2,088,539 principal amount of promissory notes and (ii) five-year warrants to purchase 417,234 shares of common stock at $.01 per share. Purchasers were: Anglo American Security Fund, L.P., Peter M. Brant, CAPCOR, Employee Pension Plan, Churchill Associates, L.P., Field Nominees, Ltd., Neil S. Hirsch, Dennis Hopper, Corey M. Horowitz, Moretons Holdings Limited, Paribas Nominee Singapore Pte. Ltd., John David and Joanna Pinto, June Rosamond Maxwell Robinson, Michael Robinson, Ira Shapiro and Sintra Fund, Ltd.

In July 1997, the Company issued 900,000 shares of common stock to Terry Phillips, Cathy Phillips, David Clark, Karen Clark and Russell Howard in connection with the acquisitions of Inventory Management Systems, Inc. and Creative Alliance Group.

In July 1997, the Company issued 406,553 shares of common stock in connection with the acquisition of GameTek (UK) Limited, now known as Take-Two Interactive Software Europe Limited, and Alternative Reality Technologies.

In October 1997, pursuant to a securities purchase agreement, the Company issued and sold (i) 10% secured convertible notes in the aggregate principal amount of $4,200,000; (ii) 50,000 shares of common stock; and (iii) five-year warrants to purchase 250,000 shares of common stock at a price of $6.46 per share to Infinity Investors Limited, Infinity Emerging Opportunities and Glacier Capital Limited. In addition, the Company issued 5,000 shares of common stock and warrants to purchase 20,000 shares of common stock to Whale Securities Co., L.P. as a fee for services rendered in connection with the transactions contemplated in the securities purchase agreement. In November 1998, the Company was required to issue an additional 5,043 shares of common stock to Infinity Investors Limited, Infinity Emerging Opportunities and Glacier Capital Limited pursuant to the securities purchase agreement.

In December 1997, the Company issued an aggregate of 500,000 shares to Larry Muller, Andre Muller and Jay Gelman in connection with the acquisition of L&J Marketing, Inc. d/b/a Alliance Distributors.

In March 1998, the Company issued 1,850,000 shares of series A convertible preferred stock to BMG in connection with the acquisition of substantially all of the assets of BMG Group, a division of BMG Entertainment North America. The shares of preferred stock were converted into shares of common stock on a one-for-one basis in August 1998.

In March 1998, the Company issued an aggregate of 158,333 shares of common stock to investors as a private placement. Purchasers were: CFM Capital Limited, Robert Holmes, Anthony Williams and Terry Phillips.

In May 1998, the Company issued an aggregate of 770,000 shares of common stock to investors as a private placement. BlueStone Capital Partners, L.P. served as placement agent in connection with the private placement.

In June 1998, the Company issued 40,000 shares of common stock in connection with the acquisition of all of the assets of DirectSoft Australia Pty. Ltd.

In August 1998, the Company issued an aggregate of 2,750,000 shares of common stock to Robert Alexander, David Rosenbaum and Thomas Rosenbaum in connection with the acquisition of Jack of All Games, Inc.

In August 1998, the Company issued warrants to purchase 20,000 shares of common stock at $5.625 per share to the Provident Bank in connection with an amended loan agreement.

In November 1998, the Company issued 32,138 shares of common stock to Ocean Bank.

In December 1998, the Company issued an aggregate of 1,033,336 shares of common stock to James and Barbara Rose, John Davidson and Greta Davidson in connection with the acquisition of Talonsoft, Inc.

In December 1998, the Company issued 35,000 shares and warrants to purchase 100,000 shares at $6.50 per share to designees of Whale Securities Co., L.P. in exchange for consulting services rendered.

In February 1999, the Company issued an aggregate of 580,000 shares of common stock (subject to decrease upon the occurrence of certain events) to Interactive Development, S.A., Lee Marcel Guinchard and David Gillard in connection with the acquisition of L.D.A. Distribution Limited and its subsidiary Joytech Europe Limited.

In February 1999, the Company issued 50,000 shares to Samuel Osborn, Jeffrey Tyler, David Wallerich, William Bennett, Wei Zheng and Steven Kahn in connection with the acquisition of DVDWave.com.

In February 1999, the Company issued 125,000 shares to the general partner and the Class B limited partners of Gathering of Developers I, Ltd. in exchange for the grant by the general partner and the Class B limited partners of Gathering of options to purchase their interests in Gathering.

In March 1999, the Company issued an aggregate of 106,265 shares of common stock (subject to decrease upon the occurrence of certain events) to Funsoft Holding GMBH and Industriinvestor ASA in connection with the acquisition of Funsoft Nordic A.S.

In March 1999, the Company issued warrants to purchase an aggregate of 50,000 shares at $9.00 per share to designees of W.J. Nolan & Company Inc. in exchange for consulting services rendered.

All of the above transactions were private transactions not involving a public offering and were exempt from the registration provisions of the Securities Act of 1933, as amended, pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder. Except for the May 1998 private placement, all of the above issuances were without the use of an underwriter or placement agent. All purchasers of securities were accredited investors, and all certificates evidencing shares of common stock sold bore a restrictive legend permitting transfer only upon registration of such shares or pursuan to an exemption under the Securities Act.

Item 16. Exhibits

1.1	Form of Underwriting Agreement between the Company and the underwriters.
3.1	Form of Restated Certificate of Incorporation of the Company.+
3.2	Amendment to Restated Certificate of Incorporation.+
3.3	By-Laws of the Company.+
5.1	Opinion of Tenzer Greenblatt LLP.
10.1	1994 Stock Option Plan of the Company.+
10.2	1997 Stock Option Plan of the Company.+
10.3	Asset and Stock Purchase Agreement dated July 29, 1997 by and among the Company, GameTek, TTE, ART and GameTek (FL).++
10.4	Agreement and Plan of Merger dated July 10, 1997 by and among the Company and IMSI.++
10.5	Employment Agreement dated July 29, 1997 with Kelly Sumner.++
10.6	Agreement and Plan of Merger dated as of December 22, 1997 by and among the Company, IMSI, AIM and Alliance.+++
10.7	Loan Documents by and among NationsBank, N.A., IMSI, AIM and the Company, as guarantor.+++
10.8	Asset Purchase Agreement, dated March 10, 1998, by and between the Company and BMG.++++
10.9	Registration Rights Agreement, dated March 11, 1998, between BMG and the Company.++++

10.10	Distribution Agreement, dated as of May 27, 1998, by and between the Company and Gathering.+++++
10.11	Agreement and Plan of Merger, dated as of August 22, 1998, by and among the Company, its subsidiary, JAG and the JAG stockholders.++++++
10.12	Registration Rights Agreement, dated August 31, 1998, among the Company and the JAG stockholders.++++++
10.13	Loan Documents, dated August 31, 1998, by and among Provident, JAG and the Company, as guarantor.++++++
10.14	Agreement and Plan of Merger dated December 22, 1998 among the Company, its subsidiary, Talonsoft and the shareholders of Talonsoft.+++++++
10.15	Agreement for the Sale and Purchase of Share Capital dated February 3, 1999 between the Company and the shareholders of LDA.+++++++
10.16	Securities Purchase Agreement dated February 8, 1999 by and among the Company, T2 Developer, Inc., Gathering of Developers, Inc., Gathering of Developers I, Ltd. and the limited partners of Gathering.+++++++
10.17	Option Agreement dated February 8, 1999 among the Company, T2 Developer, Inc., Gathering of Developers, Inc., Gathering of Developers I, Ltd. and the limited partners of Gathering.+++++++
10.18	Amended Distribution Agreement, dated as of February 8, 1999, among the Company, Gathering, PopTop Software, Inc., Terminal Reality, Inc., and Apogee Software, Inc./3D Realms.+++++++
10.19	Revolving Credit Agreement, dated February 16, 1999 by and among Jack of All Games, Inc., NationsBank, N.A., The Provident Bank, and NationsBank, N.A., as Agent.+++++++
10.20	Employment Agreement, dated as of August 1, 1998, between the Company and Ryan A. Brant.
10.21	Employment Agreement, dated as of August 1, 1998, between the Company and Anthony R. Williams.
10.22	Employment Agreement, dated as of January 29, 1999 between the Company and Larry Muller.
21.1	Subsidiaries of the Company.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Aronowitz, Chaiken & Hardesty, LLP.
27.1	Financial Data Schedule (SEC use only).*

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* Previously filed

+ Incorporated by reference to the applicable exhibit contained in the Company's Registration Statement on Form SB-2 (file no. 333-6414).

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Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy, as expressed in the Securities Act of 1933 and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to this Registration Statement to be signed on its behalf by the undersigned, in the City of New York, State of New York, on April 8, 1999.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan A. Brant

Ryan A. Brant, Chief Executive Officer

Each person whose signature appears below on this Amendment No. 1 to this Registration Statement hereby constitutes and appoints Ryan A. Brant and Anthony R. Williams, and each of them, as his true and lawful attorney-in-fact and agent, with full power of substitution for him and in his name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments (including pre-effective amendments and post-effective amendments and amendments thereto) to this Registration Statement on Form S-1 of Take-Two Interactive Software, Inc. and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Ryan A. Brant Ryan A. Brant	Chief Executive Officer and Director (Principal Executive Officer)	April 8, 1999
/s/ Larry Muller Larry Muller	Chief Financial Officer (Principal Financial Officer)	April 8, 1999
/s/ Anthony R. Williams Anthony R. Williams	Chief Operating Officer and Director	April 8, 1999
/s/ Barbara A. Ras Barbara A. Ras	Chief Accounting Officer (Principal Accounting Officer) and Secretary	April 8, 1999
/s/ Oliver R. Grace, Jr. Oliver R. Grace, Jr.	Director	April 8, 1999
/s/ Neil S. Hirsch Neil S. Hirsch	Director	April 8, 1999
/s/ Kelly Sumner Kelly Sumner	Vice President of International Operations and Director	April 8, 1999
/s/ Robert Flug Robert Flug	Director	April 8, 1999

EXHIBIT INDEX

Exhibits		Page
1.1	Form of Underwriting Agreement between the Company and the underwriters.	
3.1	Form of Restated Certificate of Incorporation of the Company.+	
3.2	Amendment to Restated Certificate of Incorporation.+	
3.3	By-Laws of the Company.+	
5.1	Opinion of Tenzer Greenblatt LLP.	
10.1	1994 Stock Option Plan of the Company.+	
10.2	1997 Stock Option Plan of the Company.+	
10.3	Asset and Stock Purchase Agreement dated July 29, 1997 by and among the Company, GameTek, TTE, ART and GameTek (FL).++	
10.4	Agreement and Plan of Merger dated July 10, 1997 by and among the Company and IMSI.++	
10.5	Employment Agreement dated July 29, 1997 with Kelly Sumner.++	
10.6	Agreement and Plan of Merger dated as of December 22, 1997 by and among the Company, IMSI, AIM and Alliance.+++	
10.7	Loan Documents by and among NationsBank, N.A., IMSI, AIM and the Company, as guarantor.+++	
10.8	Asset Purchase Agreement, dated March 10, 1998, by and between the Company and BMG.++++	
10.9	Registration Rights Agreement, dated March 11, 1998, between BMG and the Company.++++	
10.10	Distribution Agreement, dated as of May 27, 1998, by and between the Company and Gathering.+++++	
10.11	Agreement and Plan of Merger, dated as of August 22, 1998, by and among the Company, its subsidiary, JAG and the JAG stockholders.++++++	
10.12	Registration Rights Agreement, dated August 31, 1998, among the Company and the JAG stockholders.++++++	
10.13	Loan Documents, dated August 31, 1998, by and among Provident, JAG and the Company, as guarantor.++++++	
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EXHIBIT 1.1

5,000,000 Shares

TAKE-TWO INTERACTIVE SOFTWARE, INC.

COMMON STOCK
(Par Value $.01 Per Share)

UNDERWRITING AGREEMENT

_____, 1999

ING BARING FURMAN SELZ LLC
Gerard Klauer Mattison & Co., Inc.
MORGAN kEEGAN & cOMPANY, iNC.
As Representatives of the
  several Underwriters
c/o ING Baring Furman Selz LLC
55 East 52nd Street
New York, New York 10055

Dear Sirs:

1. Introduction. Take-Two Interactive Software, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters"), for which ING Baring Furman Selz LLC, Gerard Klauer Mattison & Co., Inc. and Morgan Keegan & Company, Inc. are acting as representatives (the "Representatives"), an aggregate of 3,500,000 shares (the "Company Shares") of the Company's Common Stock, par value $.01 per share (the "Common Stock"). The selling stockholders named in Schedule II hereto (the "Selling Stockholders") propose to sell to the Underwriters an aggregate of 1,500,000 shares of Common Stock (the "Stockholder Shares"). The Company Shares to be sold by the Company and the Stockholder Shares to be sold by the Selling Stockholders are collectively referred to herein as the "Firm Shares." The Company also proposes to issue and sell to the several Underwriters an aggregate of not more than 750,000 additional shares of Common Stock (the "Additional Shares"), if requested by the Underwriters in accordance with Section 9 hereof. The Firm Shares and the Additional Shares are collectively referred to herein as the "Shares." The words "you" and "your" refer to the Representatives of the Underwriters.

The Company and the Selling Stockholders hereby agree with the several Underwriters as follows:

2. Representations and Warranties.

(a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement on Form S-1 (File No. 333-_____) under the Securities Act of 1933, as amended (the "Act"), with respect to the Shares, including a form of prospectus subject to completion, has been prepared by the Company in conformity with the requirements of the Act and the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder (the "Rules and Regulations"). Such registration statement has been filed with the Commission under the Act, and one or more amendments to such registration statement may also have been so filed. After the execution of this Agreement, the Company shall file with the Commission either (A) if such registration statement, as it may have been amended, has been declared by the Commission to be effective under the Act, a prospectus in the form most recently included in an amendment to such registration statement filed with the Commission (or, if no such amendment shall have been filed, in such registration statement), with such insertions and changes as are required by Rule 430A under the Act or permitted by Rule 424(b) under the Act as shall have been provided to and approved by the Representatives prior to the filing thereof, or (B) if such registration statement, as it may have been amended, has not been declared by the Commission to be effective under the Act, an amendment to such registration statement, including a form of prospectus, a copy of which amendment has been furnished to and approved by the Representatives prior to the filing thereof. As used in this Agreement, the term "Registration Statement" means such registration statement, as amended at the time when it was or is declared effective, including all financial schedules and exhibits thereto; the Registration Statement shall be deemed to include any information omitted therefrom pursuant to Rule 430A under the Act and included in the Prospectus (as hereinafter defined) and shall also mean any registration statement filed pursuant to Rule 462(b) under the Act; the term "Preliminary Prospectus" means each prospectus subject to completion contained in such registration statement or any amendment thereto (including the prospectus subject to completion, if any, included in the Registration Statement or any amendment thereto or filed pursuant to Rule 424(a) under the Act at the time it was or is declared effective); and the term "Prospectus" means the prospectus first filed with the Commission pursuant to Rule 424(b) under the Act or, if no prospectus is required to be filed pursuant to said Rule 424(b), such term means the prospectus included in the Registration Statement.

(ii) The Company has not received any order preventing or suspending the use of any Preliminary Prospectus, and the Company has not received any notice that the Commission has instituted, nor, to the Company's knowledge, has the Commission threatened to institute, any proceedings with respect to such an order. When each Preliminary Prospectus was filed with the Commission it (A) contained all

statements required to be stated therein in accordance with, and complied in all material respects with, the requirements of the Act and the Rules and Regulations and (B) did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. When the Registration Statement or any amendment thereto was or is declared effective, it (A) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with, the requirements of the Act and the Rules and Regulations and (B) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading. When the Prospectus and when any amendment or supplement thereto is filed with the Commission pursuant to Rule 424(b) (or, if the Prospectus or such amendment or supplement is not required to be so filed, when the Registration Statement and when any amendment thereto containing such amendment or supplement to the Prospectus was or is declared effective) and at all times subsequent thereto up to and including the Closing Date (as defined in Section 3 hereof) and the Option Closing Date (as defined in Section 9 hereof), the Prospectus, as amended or supplemented at any such time, (A) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with, the requirements of, the Act and the Rules and Regulations and (B) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing provisions of this paragraph (ii) shall not apply to (A) statements or omissions made in any Preliminary Prospectus which have been corrected in a subsequent Preliminary Prospectus or the Prospectus or (B) statements or omissions made in any Preliminary Prospectus, the Registration Statement or any amendment thereto or the Prospectus or any amendment or supplement thereto in reliance upon, and in conformity with, information furnished in writing to the Company by or on behalf of the Underwriters through the Representatives expressly for use therein.

(iii) Each of the Company and its subsidiaries (the "Subsidiaries") (A) is duly incorporated and validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, with corporate power and corporate authority to own or lease its properties and to conduct its business as described in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus); and (B) is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which (x) the conduct of its business requires such qualification (except for those jurisdictions in which the failure so to qualify has not had and will not have a Material Adverse Effect (as hereinafter defined)) and (y) it owns or leases property. "Material Adverse Effect" means, when used in connection with the Company or its Subsidiaries, any development, change or effect that is materially adverse to the business, operations, properties, assets, liabilities, net worth, results of operations, condition (financial or other) or prospects of the Company and its Subsidiaries taken as a whole.

(iv) The Company has the duly authorized and validly outstanding capitalization set forth under the caption "Capitalization" in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) and will have the adjusted capitalization set forth therein on the Closing Date and the Option Closing Date (each as defined herein), based on the assumptions and including the exceptions set forth therein and the footnotes thereto. The capital stock of the Company conforms in all material respects to the description thereof contained in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus). The outstanding shares of Common Stock have been duly authorized and validly issued by the Company and are fully paid and nonassessable. Except as created hereby or described in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), there are no outstanding options, warrants, rights or other arrangements requiring the Company or any subsidiary at any time to issue any capital stock. No holders of outstanding shares of capital stock of the Company are entitled as such to any preemptive or other rights to subscribe for any of the Shares, and neither the filing of the registration statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights for or relating to the registration of any securities of the Company. The Shares have been duly authorized; on the Closing Date and the Option Closing Date (if applicable), after payment therefor in accordance with the terms of this Agreement, (A) the Firm Shares and the Additional Shares to be sold by the Company hereunder will be validly issued, fully paid and nonassessable and (B) good and marketable title to the Firm Shares and the Additional Shares will pass to the Underwriters on the Closing Date and the Option Closing Date (if applicable) free and clear of any lien, encumbrance, security interest, claim or other restriction whatsoever. All the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued, are fully paid and nonassessable and are owned directly by the Company, free and clear of any lien, encumbrance, charge, security interest, claim or other restriction whatsoever. The Company has received, subject to notice of issuance, approval to have the Shares quoted on the National Market System of the National Association of Securities Dealers' Automated Quotation System, and the Company knows of no reason or set of facts which is likely to adversely affect such approval.

(v) The consolidated financial statements and the related notes and schedules thereto included in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) fairly present, in all material respects, the consolidated financial condition, results of operations, stockholders' equity and cash flows of the Company and its Subsidiaries at the dates and for the periods specified therein. Such financial statements and the related notes and schedules thereto have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except as otherwise noted therein), and such financial statements as are audited have been examined by PricewaterhouseCoopers LLP, who are independent public accountants within the meaning of the Act and the Rules and Regulations, as indicated in their reports filed therewith. The selected financial information set forth under the caption "Selected Financial Data" in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus) have been prepared on a basis consistent with the consolidated financial statements of the Company and its Subsidiaries.

(vi) The Company and each of its Subsidiaries have filed all necessary federal, state and local income, franchise and other material tax returns and have paid all taxes shown as due thereunder, and the Company has no knowledge of any tax deficiency which is reasonably likely to be assessed against the Company which, if so assessed, would have a Material Adverse Effect.

(vii) The Company and each of its Subsidiaries maintain insurance of the types and in amounts which they reasonably believe to be adequate for their business in such amounts and with such deductibles as is customary for companies in the same or similar business, all of which insurance is in full force and effect.

(viii) Except as disclosed in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), there is no action, suit, proceeding or investigation pending or, to the Company's best knowledge, threatened before or by any court, regulatory body or administrative agency or any other governmental agency or body, domestic or foreign, which (A) questions the validity of the capital stock of the Company or this Agreement or of any action taken or to be taken by the Company pursuant to or in connection with this Agreement, (B) is required to be disclosed in the Registration Statement which is not so disclosed (and such proceedings, if any, as are summarized in the Registration Statement are accurately summarized in all material respects), or (C) if decided adversely to the Company, would have a Material Adverse Effect.

(ix) The Company and each of its Subsidiaries have all requisite corporate, power and authority to enter into this Agreement and to consummate the transactions provided for herein. This Agreement has been duly authorized, executed and delivered by the Company and each of its Subsidiaries and, assuming it is a binding agreement of yours, constitutes a legal, valid and binding agreement of the Company and each of its Subsidiaries , enforceable against the Company and each of its Subsidiaries in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights and the application of equitable principles relating to the availability of remedies and except as rights to indemnity or contribution may be limited by federal or state securities laws and the public policy underlying such laws), and none of the Company's nor each of the Subsidiaries' execution or delivery of this Agreement, its performance hereunder, its consummation of the transactions contemplated herein, its application of the net proceeds of the offering in the manner set forth under the caption "Use of Proceeds" or the conduct of its

business as described in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), conflicts or will conflict with, or results or will result in any breach or violation of, any of the terms or provisions of, or constitutes or will constitute a default under, or causes or will cause (or permits or will permit) the maturation or acceleration of any liability or obligation or the termination of any right under, or result in the creation or imposition of any lien, charge or encumbrance upon, any property or assets of the Company or any of its Subsidiaries pursuant to the terms of (A) the certificate of incorporation or by-laws of the Company or any of its Subsidiaries, (B) any indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them are or may be bound or to which any of their respective property is or may be subject or (C) any statute, judgment, decree, order, rule or regulation applicable to the Company or any of its Subsidiaries of any government, arbitrator, court, regulatory body or administrative agency or other governmental agency or body, domestic or foreign, having jurisdiction over the Company, any of its Subsidiaries or any of their respective activities or properties, except, in the cases of clauses (B) and (C) above, for breaches, violations, defaults or terminations which would not be reasonably likely to have a Material Adverse Effect.

(x) All executed agreements or copies of executed agreements filed as exhibits to the Registration Statement to which the Company or any of its Subsidiaries is a party or by which any of them are or may be bound or to which any of their assets, properties or businesses is or may be subject have been duly and validly authorized, executed and delivered by the Company or such Subsidiary, as the case may be, and, assuming such agreements are the legal, valid, binding and enforceable agreements of the other parties thereto, constitute the legal, valid and binding agreements of the Company or such Subsidiary, as the case may be, enforceable against each of them in accordance with their respective terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to enforcement of creditors' rights generally, and general equitable principles relating to the availability of remedies, and except as rights to indemnity or contribution may be limited by federal or state securities laws and the public policy underlying such laws). The descriptions in the Registration Statement of contracts and other documents are accurate in all material respects and fairly present the information required to be shown with respect thereto by the Act and the Rules and Regulations, and there are no contracts or other documents which are required by the Act or the Rules and Regulations to be described in the Registration Statement or filed as exhibits to the Registration Statement which are not described or filed as required, and the exhibits which have been filed are complete and correct copies of the documents of which they purport to be copies.

(xi) Subsequent to the most recent respective dates as of which information is given in the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), and except as expressly contemplated therein, neither the Company nor any of its Subsidiaries has incurred, other than in the ordinary course of its business, any material liabilities or obligations, direct or contingent, purchased any of its outstanding capital stock, paid or declared any dividends or other distributions on its capital stock or

entered into any material transactions not in the ordinary course of business, and there has been no material change in capital stock or debt or any material adverse change in the business, operations, properties, assets, liabilities, net worth, results of operations, condition (financial or other) or prospects of the Company and its Subsidiaries taken as a whole. Neither the Company nor any of its Subsidiaries (or the manner in which it any of them conducts its business) is in breach or violation of, or in default under, any term or provision of (A) its certificate of incorporation or bylaws, (B) any indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note agreement or other agreement or instrument to which it is a party or by which it is or may be bound or to which any of its property is or may be subject, or any indebtedness, the effect of which breach or default singly or in the aggregate may have a Material Adverse Effect or (C) any statute, judgment, decree, order, rule or regulation applicable to the Company or any of its Subsidiaries or of any arbitrator, court, regulatory body, administrative agency or any other governmental agency or body, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their respective activities or properties and the effect of which breach or default singly or in the aggregate would have a Material Adverse Effect.

(xii) No labor disturbance by the employees of the Company or any of its Subsidiaries exists or is imminent which would have a Material Adverse Effect.

(xiii) Except as set forth in the Prospectus, (i) the Company and its Subsidiaries own or possess valid and enforceable licenses for all inventions, patents, patent applications, trademarks (registered or unregistered), trademark applications, tradenames, copyrights, manufacturing processes, formulae, trade secrets, know-how, and other intangible property and assets necessary to the conduct of their business now conducted as described in the Prospectus (collectively, "Intellectual Property") and the Company does not know of any facts which would form a reasonable basis for a claim that the Company or any of its Subsidiaries do not own or possess valid and enforceable licenses for all Intellectual Property necessary to the conduct of their business proposed to be conducted as described in the Prospectus; (ii) the Company has no knowledge that it or any of its Subsidiaries lack or will be unable to obtain any rights or licenses to use any of the Intellectual Property; (iii) the Company does not know of any third parties who have or will be able to establish rights to any of the Intellectual Property; (iv) to the Company's knowledge, there is no infringement by third parties of any of the Intellectual Property; (v) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's or any Subsidiary's rights of title or other interest in or to any Intellectual Property, and the Company does not know of any facts which would form a reasonable basis for any such claim; (vi) there is no pending, or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity and scope of any Intellectual Property, and the Company does not know of any facts which would form a reasonable basis for any such claim; (vii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any of its Subsidiaries or any of their products or processes infringe or otherwise violate any patent, trademark, copyright, trade secret or other proprietary right of others, and the Company is unaware of any facts which would form a reasonable basis for any such claim; and (viii) there is no pending or, to the Company's knowledge, threatened

action, suit, proceeding or claim by any current or former employee, consultant or agent of the Company or any of its Subsidiaries seeking either ownership rights to any invention or compensation from the Company or any of its Subsidiaries for any invention made by such employee, consultant or agent in the course of his/her employment with the Company or any of its Subsidiaries, nor, to the Company's knowledge, can any such action, suit, proceeding or claim, if instituted, be sustained. The Prospectus fairly and accurately describes in all material respects the Company's and its Subsidiaries' rights with respect to the Intellectual Property.

(xiv) No consent, approval, authorization or order of or filing with any court, regulatory body, administrative agency or any other governmental agency or body, domestic or foreign, is required for the performance of this Agreement or the consummation of the transactions contemplated hereby, except such as have been or may be required to be obtained under the Act or may be required under state securities or Blue Sky laws in connection with the Underwriters' purchase and distribution of the Shares.

(xv) Neither the Company nor any of its officers, directors or affiliates (within the meaning of the Rules and Regulations) has taken, directly or indirectly, any action designed to stabilize or manipulate the price of any security of the Company, or which has constituted or which might in the future reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of the Shares or otherwise.

(xvi) Each of the Company and its Subsidiaries has good and valid title to, or valid and enforceable leasehold interests in, all properties and assets owned or leased by it, free and clear of all liens, encumbrances, security interests, claims, restrictions, equities, claims and defects, except (A) such as are described in the Registration Statement and Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus), or such as do not materially adversely affect the value of any of such properties or assets taken as a whole and do not materially interfere with the use made and proposed to be made of any of such properties or assets, and (B) liens for taxes not yet due and payable as to which appropriate reserves have been established and reflected in the financial statements included in the Registration Statement. The Company owns or leases all such properties as are materially necessary to its operations as now conducted, and as proposed to be conducted as set forth in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus); and the properties and business of the Company and its Subsidiaries conform in all material respects to the descriptions thereof contained in the Registration Statement and the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus). All the material leases and subleases of the Company and its Subsidiaries, and under which the Company or any Subsidiary holds properties or assets as lessee or sublessee, constitute valid leasehold interests of the Company or such Subsidiary free and clear of any lien, encumbrance, security interest, restriction, equity, claim or defect, are in full force and effect, and neither the Company nor any

Subsidiary is in default in respect of any of the material terms or provisions of any such material leases or subleases, and neither the Company nor any Subsidiary has notice of any claim which has been asserted by anyone adverse to the Company's or any of its Subsidiary's rights as lessee or sublessee under either the material lease or sublease, or affecting or questioning the Company's or any Subsidiary's right to the continued possession of the leased or subleased premises under any such material lease or sublease, in each case which default or claim would have a Material Adverse Effect.

(xvii) Neither the Company nor any Subsidiary has violated any applicable environmental, safety, health or similar law applicable to the business of the Company, nor any federal or state law relating to discrimination in the hiring, promotion, or pay of employees, nor any applicable federal or state wages and hours law, nor any provisions of ERISA or the rules and regulations promulgated thereunder, the consequences of which violation would have a Material Adverse Effect.

(xviii) Each of the Company and its Subsidiaries hold, and, at the Closing Date and any later Option Closing Date, as the case may be, will hold, all franchises, licenses, permits, approvals, certificates and other authorizations from federal, state and foreign and other governmental or regulatory authorities necessary to the ownership, leasing, distribution and operation of their properties or required for the present conduct of business, and such franchises, licenses, permits, approvals, certificates and other governmental authorizations are in full force and effect and the Company and its Subsidiaries are in compliance therewith in all material respects except where the failure so to obtain, maintain or comply with would not be reasonably likely to have a Material Adverse Effect. All of the descriptions in the Registration Statement and Prospectus of the legal and governmental proceedings by or before any foreign, state or local government body are true, complete and accurate in all material respects.

(xix) No Subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company, except as described in or contemplated by the Prospectus (or, if the Prospectus is not in existence, the most recent Preliminary Prospectus).

(xx) Neither the Company nor any of its Subsidiaries is (i) in violation of its certificate of incorporation or bylaws, (ii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any bond, debenture, note or other evidence of indebtedness, which default would have a Material Adverse Effect, (iii) in default in the performance or observance of any contract, indenture, mortgage, loan agreement joint venture or other agreement or instrument to which it is a party or by which its or any of its properties are bound, which default would have a Material Adverse Effect, or (iv) in violation of any law, order, rule, regulation, writ, injunction, judgment or decree of any court of government agency or body to which the Company is subject, which violation would have a Material Adverse Effect.

(xxi) The Company and its Subsidiaries are (i) in compliance with all applicable United States, foreign, state and local environmental laws, rules, regulations, treaties, statutes and codes promulgated by any and all governmental authorities relating to the protection of human health and safety, the environment or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct their business as currently conducted, and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except, in the case of each of clauses (i) through (iii), above, where such noncompliance with Environmental Laws, failure to receive required permit licenses or other approvals would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect. No action, proceeding, revocation proceeding, writ, injunction or claim is pending or, to the Company's knowledge, threatened against the Company or its Subsidiaries relating to the Environmental Laws or to their activities involving Hazardous Materials. "Hazardous Materials" means for purposes of this Agreement any material or substance (i) that is prohibited or regulated by any environmental law, rule, regulation, order, treaty, statute or code promulgated by any governmental authority, or any amendment or modification thereto, or (ii) that has been designated or regulated by any governmental authority as radioactive, toxic, hazardous or otherwise a danger to health, reproduction or the environment. The Company and its Subsidiaries have not engaged in the generation, use, manufacture, transportation or storage of any Hazardous Materials on any of their properties or former properties, except where such use, manufacture, transportation or storage is in compliance in all material respects with Environmental Laws. The Company and its Subsidiaries have not disposed of any, and to the Company's knowledge, no parties other than the Company and its Subsidiaries have disposed of, Hazardous Materials on any of their properties or on properties formerly owned or leased by them during the time of such ownership or lease, except in compliance in all material respects with Environmental Laws. To the Company's knowledge, no spills, discharges, releases, deposits, emplacements, leaks or disposal of any Hazardous Materials have occurred on or under or have emanated from any of the Company's or its Subsidiaries' properties or former properties during the time of their ownership or lease thereof except in compliance in all respects with Environmental Laws or that would not be reasonably likely to have a Material Adverse Effect, and except as disclosed in the Prospectus, the Company has no knowledge of any spills, discharges, releases, deposits, emplacements, leaks or disposal of any Hazardous Materials that have occurred on or under or have emanated from any of the Company's or Subsidiaries' properties or former properties prior to the Company's or Subsidiaries' ownership or lease thereof.

(xxii) Except as disclosed in the Prospectus, there are no business relationships or related party transactions required to be disclosed therein by Item 404 of Regulation S-K of the Commission.

(xxiii) The Company and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with

management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiv) The Company and its Subsidiaries are in compliance with all provisions of Florida Statutes ss.517.075 and the regulations thereunder, relating to issuers doing business with Cuba.

(xxv) The Company and its Subsidiaries have not at any time during the last five years (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any foreign, United States or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States.

(xxvi) The Company is not, and upon consummation of the transactions contemplated hereby will not be, subject to registration as an "investment company" under the Investment Company Act of 1940.

(b) Each Selling Stockholder, severally and not jointly, represents and warrants to, and agrees with, the several Underwriters that:

(i) When any Preliminary Prospectus was filed with the Commission it (A) contained all statements required to be stated therein in accordance with, and complied in all material respects with the requirements of the Act and the Rules and Regulations and (B) did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. When the Registration Statement or any amendment thereto was or is declared effective, it (A) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with the requirements of the Act and the Rules and Regulations and (B) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading. When the Prospectus and when any amendment or supplement thereto is filed with the Commission pursuant to Rule 424(b) (or, if the Prospectus or such amendment or supplement is not required to be so filed, when the Registration Statement and when any amendment thereto containing such amendment or supplement to the Prospectus was or is declared effective) and at all times subsequent thereto up to and including the Closing Date (as defined in Section 3 hereof) and the Option Closing Date (as defined in Section 9 hereof), the Prospectus, as amended or supplemented at any such time, (A) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with the

requirements of, the Act and the Rules and Regulations and (B) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing provisions of this paragraph (i) shall apply only to information furnished to the Company by or on behalf of such Selling Shareholder.

(ii) Such Selling Stockholder is a duly incorporated and validly existing corporation in good standing under the laws of its jurisdiction of incorporation, as applicable. Such Selling Stockholder has all requisite corporate power and authority (as applicable) to enter into this Agreement and to consummate the transactions provided for herein.

(iii) This Agreement has been duly authorized, executed and delivered by such Selling Stockholder and, assuming it is your and the Company's binding agreement of yours, constitutes a legal, valid and binding agreement of such Selling Stockholder enforceable against such Selling Stockholder in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights and the application of equitable principles relating to the availability of remedies and except as rights to indemnity or contribution may be limited by federal or state securities laws and the public policy underlying such laws), and none of such Selling Stockholder's execution or delivery of this Agreement, its performance hereunder, its consummation of the transactions contemplated herein or its application of the net proceeds of the offering in the manner set forth under the caption "Use of Proceeds" conflicts or will conflict with or results or will result in any breach or violation of any of the terms or provisions of, or constitutes or will constitute a default under, causes or will cause (or permits or will permit) the maturation or acceleration of any liability or obligation or the termination of any right under, or result in the creation or imposition of any lien, charge, or encumbrance upon, any property or assets of such Selling Stockholder pursuant to the terms of, as applicable, (A) the organizational documents of such Selling Stockholder (if a corporation), (B) any indenture, mortgage, deed of trust, voting trust agreement, stockholders' agreement, note agreement or other agreement or instrument to which such Selling Stockholder is a party or by which it is or may be bound or to which any of its respective property is or may be subject or (C) any statute, judgment, decree, order, rule or regulation applicable to such Selling Stockholder of any government, arbitrator, court, regulatory body or administrative agency or other governmental agency or body, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its respective activities or properties, except, in the cases of clauses (B) and (C) above, for breaches, violations, defaults or terminations which would not be reasonably likely to have a Material Adverse Effect.

(iv) Neither such Selling Stockholder, nor any person acting on behalf of such Selling Stockholder, has taken, directly or indirectly, any action designed to stabilize or manipulate the price of any security of the Company, or which has constituted or which might in the future reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of the Shares or otherwise.

(v) Such Selling Stockholder is the lawful owner of the Shares to be sold by it pursuant to this Agreement and has, and on the Closing Date (and Option Closing Date, if applicable) will have, good and clear title to such Shares, free of all restrictions on transfer, liens, encumbrances, security interests and claims whatsoever.

(vi) Upon delivery of and payment for the Shares to be sold by such Selling Stockholder pursuant to this Agreement, good and clear title to such Shares will pass to the Underwriters, free of all restrictions on transfer, liens, encumbrances, security interests and claims whatsoever.

3. Purchase, Sale and Delivery of the Shares. On the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Company and the Selling Stockholders agree to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company and the Selling Shareholders, at a purchase price of $_____ per Share, the number of Firm Shares set forth opposite the name of such Underwriter in Column (1) of Schedule I hereto.

Delivery of certificates, and payment of the purchase price, for the Firm Shares shall be made at the offices of ING Baring Furman Selz LLC at 55 East 52nd Street, New York, New York 10055, or such other location as shall be agreed upon by the Company and the Representatives. Such delivery and payment shall be made at 10:00 a.m., New York City time, on _____, 1999 or at such other time and date not more than ten business days thereafter as shall be agreed upon by the Representatives and the Company. The time and date of such delivery and payment are herein called the "Closing Date." Delivery of the certificates for the Firm Shares shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the purchase price for the Firm Shares by wire transfer of immediately available funds to an account designated to the Representatives in writing at least two business days preceding the Closing Date. The certificates for the Shares to be so delivered will be in definitive, fully registered form, will bear no restrictive legends and will be in such denominations and registered in such names as the Representatives shall request, not less than two full business days prior to the Closing Date. The certificates for the Firm Shares will be made available to the Representatives at such office or such other place as the Representatives may designate for inspection, checking and packaging not later than 9:30 a.m., New York time on the business day prior to the Closing Date.

4. Public Offering of the Shares. It is understood that the Underwriters propose to make a public offering of the Shares at the price and upon the other terms set forth in the Prospectus.

5. Covenants of the Company and the Selling Stockholders.

(a) The Company covenants and agrees with each of the Underwriters that:

(i) The Company will use its best efforts to cause the Registration Statement, if not effective at the time of execution of this Agreement, and any amendments thereto to become effective as promptly as practicable. If required, the Company will file the Prospectus and each amendment or supplement thereto with the Commission in the manner and within the time period required by Rule 424(b) under the Act. During any time when a prospectus relating to the Shares is required to be delivered under the Act, the Company (A) will comply with all requirements imposed upon it by the Act and the Rules and Regulations to the extent necessary to permit the continuance of sales of or dealings in the Shares in accordance with the provisions hereof and of the Prospectus, as then amended or supplemented, and (B) will not file with the Commission the prospectus or the amendment referred to in the third sentence of Section 2(a)(i) hereof, any amendment or supplement to such prospectus or any amendment to the Registration Statement of which the Representatives shall not previously have been advised and furnished with a copy a reasonable period of time prior to the proposed filing and as to which filing the Representatives shall not have given their consent.

(ii) As soon as the Company is advised or obtains knowledge thereof, the Company will advise the Representatives (A) when the Registration Statement, as amended, has become effective; if the provisions of Rule 430A promulgated under the Act will be relied upon, when the Prospectus has been filed in accordance with said Rule 430A and when any post-effective amendment to the Registration Statement becomes effective; (B) of any request made by the Commission for amending the Registration Statement, for supplementing any Preliminary Prospectus or the Prospectus or for additional information, or (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or any amendment or supplement thereto or the institution or threat of any investigation or proceeding for that purpose, and will use its best efforts to prevent the issuance of any such order and, if issued, to obtain the lifting thereof as soon as possible.

(iii) The Company will (A) use its best efforts to arrange for the qualification of the Shares for offer and sale under the state securities or blue sky laws of such jurisdictions as the Representatives may designate, and the continuation of such qualifications in effect for as long as may be necessary to complete the distribution of the Shares, and (B) make such applications, file such documents and furnish such information as may be required for the purposes set forth in clause (A); provided, however, that the Company shall not be required to qualify as a foreign corporation or file a general or unlimited consent to service of process in any such jurisdiction.

(iv) The Company consents to the use of the Prospectus (and each amendment or supplement thereto) by the Underwriters and all dealers to whom the Shares may be sold, in connection with the offering or sale of the Shares and for such period of time thereafter as the Prospectus is required by law to be delivered in connection therewith. If, at any time when a prospectus relating to the Shares is required to be delivered under the Act, any event occurs as a result of which the Prospectus, as then amended or supplemented, would include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading, or if it becomes necessary at any time to amend or supplement the Prospectus to comply with the Act or the Rules and Regulations, the Company promptly will so notify the Representatives and, subject to Section 5(a)(i) hereof, will prepare and file with the Commission an amendment to the Registration Statement or an amendment or supplement to the Prospectus which will correct such statement or omission or effect such compliance, each such amendment or supplement to be reasonably satisfactory to the Representatives and counsel to the Underwriters.

(v) As soon as practicable, but in any event not later than 45 days after the end of the 12-month period beginning on the day after the end of the fiscal quarter of the Company during which the effective date of the Registration Statement occurs (90 days in the event that the end of such fiscal quarter is the end of the Company's fiscal year), the Company will make generally available to its security holders, in the manner specified in Rule 158(b) of the Rules and Regulations, and to the Representatives, an earnings statement which will be in the detail required by, and will otherwise comply with, the provisions of Section 11(a) of the Act and Rule 158(a) of the Rules and Regulations, which statement need not be audited unless required by the Act or the Rules and Regulations, covering a period of at least 12 consecutive months after the effective date of the Registration Statement.

(vi) During a period of five years after the date hereof, the Company will furnish to its stockholders, as soon as practicable, annual reports (including financial statements audited by independent public accountants) and unaudited quarterly reports of earnings, and will deliver to the Representatives:

(A) concurrently with furnishing any quarterly reports to its stockholders, statements of income of the Company for each quarter in the form furnished to the Company's stockholders;

(B) concurrently with furnishing annual reports to its stockholders, a balance sheet of the Company as at the end of the preceding fiscal year, together with statements of operations, stockholders' equity, and cash flows of the Company for such fiscal year, accompanied by a copy of the report thereon of independent public accountants;

(C) as soon as they are available, copies of all information (financial or other) mailed to stockholders;

(D) as soon as they are available, copies of all reports and financial statements furnished to or filed with the Commission, the National Association of Securities Dealers, Inc. ("NASD") or any securities exchange;

(E) every press release and every material news item or article of interest to the financial community in respect of the Company or its affairs which was released or prepared by the Company; and

(F) any additional information of a public nature concerning the Company or its business in the possession of the Company which the Representatives may reasonably request.

During such five-year period, for so long as the Company has active subsidiaries, the foregoing financial statements will be on a consolidated basis to the extent that the accounts of the Company and its subsidiaries are consolidated, and will be accompanied by similar financial statements for any significant subsidiary which is not so consolidated.

(vii) The Company will maintain a Transfer Agent and, if necessary under the jurisdiction of incorporation of the Company, a Registrar (which may be the same entity as the Transfer Agent) for its Common Stock.

(viii) The Company will furnish, without charge, to the Representatives or on the Representatives' order, at such place as the Representatives may designate, copies of the each Preliminary Prospectus, the Registration Statement and any pre-effective or post-effective amendments thereto (two of which copies will be signed and will include all financial statements and exhibits) and the Prospectus, and all amendments and supplements thereto, in each case as soon as available and in such quantities as the Representatives may reasonably request.

(ix) The Company will not, directly or indirectly, without the prior written consent of the Representatives, issue, offer, sell, grant any option to purchase or otherwise dispose (or announce any issuance, offer, sale, grant of any option to purchase or other disposition) of any shares of Common Stock or any securities convertible into, or exchangeable or exercisable for, shares of Common Stock for the period ending 180 days after the date hereof, except pursuant to this Agreement and except for issuances pursuant to the exercise of stock options outstanding on or granted subsequent to the date hereof pursuant to a stock option or other employee benefit plan in existence on the date hereof.

(x) The Company will use its best efforts to cause the Shares to be included for quotation on the Nasdaq National Market prior to the Closing Date.

(xi) The Company will apply the net proceeds of the offering received by it in the manner set forth under the caption "Use of Proceeds" in the Prospectus.

(xii) The Company will timely file all such reports, forms or other documents as may be required from time to time, under the Act, the Rules and Regulations, the Exchange Act, and the rules and regulations thereunder, and all such reports, forms and documents filed will comply as to form and substance with the applicable requirements under the Act, the Rules and Regulations, the Exchange Act and the rules and regulations thereunder.

(b) Each Selling Stockholder covenants and agrees with each of the Underwriters that during the period ending 180 days after the date hereof, such Selling Stockholder will not without your prior written consent, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, directly or indirectly, any shares of Common Stock (or any securities convertible into or exercisable or exchangeable for Common Stock) other than such Selling Stockholder's sale of Shares hereunder.

6. Expenses.

(a) Regardless of whether the transactions contemplated in this Agreement are consummated, and regardless of whether for any reason this Agreement is terminated subject to the last sentence of this Section 6(a), the Company and the Selling Stockholders will pay, and hereby agree to indemnify each Underwriter against, all fees and expenses incident to the performance of the obligations of the Company and the Selling Stockholders under this Agreement, including, but not limited to, (i) fees and expenses of accountants and counsel for the Company, (ii) all costs and expenses incurred in connection with the preparation, duplication, printing, filing, delivery and shipping of copies of the Registration Statement and any pre-effective or post-effective amendments thereto, any Preliminary Prospectus and the Prospectus and any amendments or supplements thereto (including postage costs related to the delivery by the Underwriters of any Preliminary Prospectus or Prospectus, or any amendment or supplement thereto), this Agreement, and all other documents in connection with the transactions contemplated herein, including the cost of all copies thereof, (iii) fees and expenses relating to qualification of the Shares under state securities or blue sky laws, including the cost of preparing and mailing the preliminary and final blue sky memoranda and filing fees and disbursements and reasonable fees of counsel and other related expenses, if any, in connection therewith, (iv) filing fees of the Commission and the NASD relating to the Shares, (v) any fees and expenses in connection with the quotation of the Shares on the Nasdaq National Market and reasonable fees of counsel to the Underwriters in connection with NASD filings, (vi) costs and expenses incident to the preparation, issuance and delivery to the Underwriters of any certificates evidencing the Shares, including transfer agent's and registrar's fees and any applicable transfer taxes incurred in connection with the delivery to the Underwriters of the Shares to be sold by the Company and the Selling Stockholders pursuant to this Agreement, (vii) costs and expenses incident to any meetings with prospective investors in the Shares (other than as shall have been specifically approved by the Representatives to be paid for by the Underwriters) and (viii) costs and expenses of advertising relating to the offering of the Shares (other than as shall have been specifically approved by the Representatives to be paid for by the Underwriters). Except as set forth above and in Section 6(b) below, the Underwriters shall pay all of their own expenses (including the fees and disbursements of their counsel and their travel expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(b) If the purchase of the Shares as herein contemplated is not consummated for any reason other than the Underwriters' default under this Agreement or other than by reason of Section 11(a), the Company and the Selling Stockholders shall reimburse the several Underwriters for their reasonable out-of-pocket expenses (including reasonable counsel fees and disbursements) in connection with any investigation made by them, and any preparation made by them in respect of marketing of the Shares or in contemplation of the performance by them of their obligations hereunder.

7. Conditions of the Underwriters' Obligations. The obligation of each Underwriter to purchase and pay for the Shares set forth opposite the name of such Underwriter in Schedule I is subject to the continuing accuracy of the representations and warranties of the Company and the Selling Stockholders herein as of the date hereof and as of the Closing Date as if they had been made on and as of the Closing Date; the accuracy on and as of the Closing Date of the statements of officers of the Company made pursuant to the provisions hereof; the performance by the Company and the Selling Stockholders on and as of the Closing Date of all of its covenants and agreements hereunder which are to be performed on or prior to the Closing Date; and the following additional conditions:

(a) If the Company has elected to rely on Rule 430A under the Act, the Registration Statement shall have been declared effective, and the Prospectus (containing the information omitted pursuant to Rule 430A) shall have been filed with the Commission not later than the Commission's close of business on the second business day following the date hereof or such later time and date to which the Representatives shall have consented; if the Company does not elect to rely on Rule 430A, the Registration Statement shall have been declared effective not later than 11:00 A.M., New York time, on the first business day following the date hereof or such later time and date to which the Representatives shall have consented; if required, in the case of any changes in or amendments or supplements to the Prospectus in addition to those contemplated above, the Company shall have filed such Prospectus as amended or supplemented with the Commission in the manner and within the time period required by Rule 424(b) under the Act; no stop order suspending the effectiveness of the Registration Statement or any amendment thereto shall have been issued, and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Representatives, shall be contemplated or threatened by the Commission; and the Company shall have complied with any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise).

(b) The Registration Statement, or any amendment thereto, shall not contain an untrue statement of material fact, or omit to state a material fact which is required to be stated therein or is necessary to make the statements therein not misleading, and the Prospectus, or any supplement thereto, shall not contain an untrue statement of material fact, or omit to state a material fact which is required to be stated therein or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) On or prior to the Closing Date, the Representatives shall have received from counsel to the Underwriters, such opinion or opinions with respect to the issuance and sale of the Firm Shares, the Registration Statement and the Prospectus and such other related matters as the Representatives reasonably may request and such counsel shall have received such documents and other information as they request to enable them to pass upon such matters.

(d) On the Closing Date, the Underwriters shall have received the opinion, dated the Closing Date, of Tenzer Greenblatt LLP, counsel to the Company and the Selling Stockholders, in the form attached hereto as Appendix A, addressed to the Underwriters.

(e) On or prior to the Closing Date, counsel to the Underwriters shall have been furnished such documents, certificates and opinions as they may reasonably require in order to evidence the accuracy, completeness or satisfaction of any of the representations or warranties of the Company and the Selling Stockholders, or conditions herein contained.

(f) On the Closing Date, the Representatives shall have received, a letter from the PricewaterhouseCoopers LLP addressed to the Company and the Underwriters, dated the Closing Date, confirming that it is an independent certified public accountant with respect to the Company within the meaning of the Act and the Rules and Regulations thereunder and based upon the procedures described in its letter delivered to you concurrently with the execution of this Agreement (herein called the "Original Letter"), but carried out to a date not more than three days prior to the Closing Date, (i) confirming that the statements and conclusions set forth in the Original Letter are accurate as of the Closing Date; and (ii) setting forth any revisions and additions to the statements and conclusions set forth in the Original Letter that are necessary to reflect any changes in the facts described in the Original Letter since the date of such letter, or to reflect the availability of more recent financial statements, data or information. The letter shall not disclose any change, or any development involving a prospective change, in or affecting the business or properties of the Company which, in your reasonable judgment, makes it impracticable or inadvisable to proceed with the public offering of the Shares as contemplated by the Prospectus. In addition, you shall have received from the Accountants a letter addressed to the Company and made available to you for the use of the Underwriters stating that its review of the Company's system of internal accounting controls, to the extent it deemed necessary in establishing the scope of its latest examination of the Company's financial statements, did not disclose any weaknesses in internal controls that it considered to be material weaknesses. All such letters shall be in a form reasonably satisfactory to the Representatives and their counsel.

(g) On the Closing Date, the Representatives shall have received a certificate, dated the Closing Date, of the principal executive officer and the principal financial or accounting officer of the Company to the effect that each of such persons has carefully examined the Registration Statement and the Prospectus and any amendments or supplements thereto and this Agreement, and that:

(i) The representations and warranties of the Company in this Agreement are true and correct, as if made on and as of the Closing Date, and the Company has complied with all agreements and covenants and satisfied all conditions contained in this Agreement on its part to be performed or satisfied at or prior to the Closing Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or are pending or, to the best knowledge of each of such persons are contemplated or threatened under the Act and any and all filings required by Rule 424 and Rule 430A have been timely made;

(iii) The Registration Statement and Prospectus and, if any, each amendment and each supplement thereto, contain all statements and information required to be included therein, and neither the Registration Statement nor any amendment thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and neither the Prospectus nor any supplement thereto includes any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(iv) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus up to and including the Closing Date, other than as contemplated by the Prospectus, neither the Company nor any of the Subsidiaries has incurred, other than in the ordinary course of its business, any material liabilities or obligations, direct or contingent; neither the Company nor any of the Subsidiaries has purchased any of its outstanding capital stock or paid or declared any dividends or other distributions on its capital stock; neither the Company nor any of the Subsidiaries has entered into any transactions not in the ordinary course of business; and there has not been any change in the capital stock or consolidated long-term debt or any increase in the consolidated short-term borrowings (other than any increase in short-term borrowings in the ordinary course of business) of the Company or any material adverse change to the business, properties, assets, net worth, condition (financial or other), or results of operations of the Company and its Subsidiaries taken as a whole; neither the Company nor any of the Subsidiaries has sustained any material loss or damage to its property or assets, whether or not insured; there is no litigation which is pending or threatened against the Company or any of its Subsidiaries which if adversely decided would have a Material Adverse Effect.

References to the Registration Statement and the Prospectus in this paragraph (g) are to such documents as amended and supplemented at the date of the certificate.

(h) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus up to and including the Closing Date there has not been (i) any material change or decrease specified in the letter or letters referred to in paragraph (f) of this Section 7 or (ii) any material adverse change, or any development involving a prospective material adverse change, in the business or properties of the Company or its Subsidiaries which change or decrease in the case of clause (i) or change or development in the case of clause (ii) makes it impractical or inadvisable in the Representatives' judgment to proceed with the public offering or the delivery of the Shares as contemplated by the Prospectus.

(i) No order suspending the sale of the Shares in any jurisdiction designated by you pursuant to Section 5(a)(iii)(A) hereof has been issued on or prior to the Closing Date and no proceedings for that purpose have been instituted or, to your knowledge or that of the Company, have been or are contemplated.

(j) The Representatives shall have received from each person identified on Appendix B attached hereto an agreement to the effect that such person will not, for the period ending one hundred and eighty (180) days after the date hereof, directly or indirectly offer, sell, solicit an offer to buy, make any short sale, pledge, grant any option to purchase, contract to sell, or otherwise dispose of or transfer (collectively, a "Disposition") any shares of Common Stock (including, without limitation, shares of Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission) or any securities convertible into or exercisable or exchangeable for, or any rights to purchase or acquire, shares of Common Stock now owned or hereafter acquired directly by the undersigned or with respect to which the undersigned has or hereafter acquires the power of Disposition, otherwise than (i) as a bona fide gift or gifts, provided the donee or donees thereof agree in writing to be bound by this restriction or (ii) as a distribution to partners or stockholders of the undersigned, provided that the distributees thereof agree in writing to be bound by the terms of this restriction.

(k) The Company and the Selling Stockholders shall have furnished the Underwriters with such further opinions, letters, certificates or documents as you or counsel for the Representatives may reasonably request. All opinions, certificates, letters and documents to be furnished by the Company will comply with the provisions hereof (to the extent a form of such document is not attached hereto) only if they are reasonably satisfactory in all material respects to the Representatives and to counsel for the Representatives. The Company shall furnish the Representatives with conformed copies of such opinions, certificates, letters and documents in such quantities as you reasonably request. The certificates delivered under this Section 7 shall constitute representations, warranties and agreements of the Company, as to all matters set forth therein as fully and effectively as if such matters had been set forth in Section 2 of this Agreement.

(l) The Shares shall have been duly authorized for quotation on the Nasdaq National Market.

8. Indemnification.

(a) The Company and each Selling Shareholder jointly and severally agree to indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, against any and all losses, claims, damages or liabilities, joint or several (and actions in respect thereof), to which such Underwriter or such controlling person may become subject, under the Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission therein of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and will reimburse, as incurred, such Underwriter or such controlling persons for any legal or other expenses reasonably incurred by such Underwriter or such controlling persons in connection with investigating, defending or appearing as a third party witness in connection with any such loss, claim, damage, liability or action; provided, however, that the Company and the Selling Stockholders will not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any of such documents in reliance upon and in conformity with information furnished in writing to the Company on behalf of such Underwriter through the Representatives expressly for use therein, and provided, further, that such indemnity with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) from whom the person asserting any such loss, claim, damage, liability or action purchased Shares which are the subject thereof to the extent that any such loss, claim, damage, liability or action (i) results from the fact that such Underwriter failed to send or give a copy of the Prospectus (excluding documents incorporated by reference) to such person at or prior to the confirmation of the sale of such Shares to such person in any case where such delivery is required by the Act and (ii) arises out of or is based upon an untrue statement or omission of a material fact contained in such Preliminary Prospectus that was corrected in the Prospectus, unless such failure resulted from non-compliance by the Company with Section 5(viii) hereof.

The indemnity agreement in this paragraph (a) shall be in addition to any liability which the Company and the Selling Stockholders may otherwise have.

(b) Each of the Underwriters agrees severally, but not jointly, to indemnify and hold harmless the Company, each Selling Stockholder, each of the directors of the Company, each of the officers of the Company who has signed the Registration Statement, each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any and all losses, claims, damages or liabilities (and actions in respect thereof) to which the Company or any such Selling Stockholder, director, officer, or controlling person may become subject, under the Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages, liabilities or

actions arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto or in any Blue Sky Application, or arise out of or are based upon the (i) any untrue statement or alleged untrue statement of any material fact contained therein, or (ii) the omission or alleged omission therein of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished in writing by that Underwriter through the Representatives to the Company expressly for use therein; and will reimburse, as incurred, all legal or other expenses reasonably incurred by the Company or any such Selling Stockholder, director, officer, controlling person in connection with investigating or defending any such loss, claim, damage, liability or action. The Company and the Selling Stockholders acknowledge that the statements with respect to the public offering of the Shares set forth in paragraphs one (1) and three (3) under the heading "Underwriting" and the stabilization legend in the Prospectus have been furnished by the Underwriters to the Company expressly for use therein and constitute the only information furnished in writing by or on behalf of the Underwriters for inclusion in the Registration Statement, the Prospectus and any Preliminary Prospectus. The indemnity agreement contained in this subsection (b) shall be in addition to any liability which the Underwriters may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against one or more indemnifying parties under this Section 8, notify such indemnifying party or parties of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) of this Section 8 or to the extent that the indemnifying party was not adversely affected by such omission. In case any such action is brought against an indemnified party and it notifies an indemnifying party or parties of the commencement thereof, the indemnifying party or parties against which a claim is to be made will be entitled to participate therein and, to the extent that it or they may wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party has reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and otherwise to participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified

party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses (other than the reasonable costs of investigation) subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party has employed such counsel in connection with the assumption of such different or additional legal defenses in accordance with the proviso to the immediately preceding sentence, (ii) the indemnifying party has not employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party; provided, however, that the Company and the Selling Stockholders shall only be liable for the reasonable fees and expenses of one (1) such additional counsel in any single jurisdiction plus appropriate local counsel in other jurisdictions.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an indemnified party under paragraph (a) or (b) above in respect of any losses, claims, damages, expenses or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) (i) in such proportion as is appropriate to reflect the relative benefits received by each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand, from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. In any case where the Company and the Selling Stockholders are the contributing party and the Underwriters are the indemnified party, the relative benefits received by the Company and the Selling Stockholders on the one hand, and the Underwriters, on the other, shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares (before deducting expenses) bear to the total underwriting discounts received by the Underwriters hereunder, in each case as set forth in the table on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Selling Stockholders or by the Underwriters, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this paragraph (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this paragraph (d), the Underwriters shall not be required to contribute any amount in excess of the underwriting

discount applicable to the Shares purchased by the Underwriters hereunder. The Underwriters' obligations to contribute pursuant to this paragraph (d) are several in proportion to their respective underwriting obligations, and not joint. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), (i) each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter and (ii) each director of the Company, each officer of the Company who has signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company, subject in each case to this paragraph (d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect to which a claim for contribution may be made against another party or parties under this paragraph (d), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation (x) it or they may have hereunder or otherwise than under this paragraph (d) or (y) to the extent that such party or parties were not adversely affected by such omission. The contribution agreement set forth above shall be in addition to any liabilities which any indemnifying party may otherwise have.

9. Right to Increase Offering. At anytime during a period of 30 days from the date of the Prospectus, the Underwriters, by no less than two business days' prior notice to the Company may designate a closing (which may be concurrent with, and part of, the closing on the Closing Date with respect to the Firm Shares or may be a second closing held on a date subsequent to the Closing Date, in either case such date shall be referred to herein as the "Option Closing Date") at which the Underwriters may purchase all or less than all of the Additional Shares in accordance with the provisions of this Section 9 at the purchase price per share to be paid for the Firm Shares. In no event shall the Option Closing Date be later than 10 business days after written notice of election to purchase Additional Shares is given.

The Company and the Selling Stockholders agree to sell to the several Underwriters on the Option Closing Date the number of Additional Shares specified in such notice and the Underwriters agree severally and not jointly, to purchase such Additional Shares on the Option Closing Date. Such Additional Shares shall be purchased for the account of each Underwriter in the same proportion as the number of Firm Shares set forth opposite the name of such Underwriter in Column (3) of Schedule I bears to the total number of Firm Shares (subject to adjustment by you to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm Shares.

No Additional Shares shall be sold or delivered unless the Firm Shares previously have been, or simultaneously are, sold and delivered. The right to purchase the Additional Shares or any portion thereof may be surrendered and terminated at any time upon notice by you to the Company.

Except to the extent modified by this Section 9, all provisions of this Agreement relating to the transactions contemplated to occur on the Closing Date for the sale of the Firm Shares shall apply, mutatis mutandis, to the Option Closing Date for the sale of the Additional Shares.

10. Representations, etc. to Survive Delivery. The respective representations, warranties, agreements, covenants, indemnities and statements of, and on behalf of, the Company and its officers, the Selling Stockholders and the Underwriters, respectively, set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Underwriters, and will survive delivery of and payment for the Shares. Any successors to the Underwriters shall be entitled to the indemnity, contribution and reimbursement agreements contained in this Agreement.

11. Effective Date and Termination.

(a) This Agreement shall become effective at 11:00 A.M., New York time on the first business day following the date hereof, or at such earlier time after the Registration Statement becomes effective as the Representatives, in their sole discretion, shall release the Shares for the sale to the public unless prior to such time the Representatives shall have received written notice from the Company and the Selling Stockholders that they elect that this Agreement shall not become effective, or the Representatives shall have given written notice to the Company that the Representatives on behalf of the Underwriters elect that this Agreement shall not become effective; provided, however, that the provisions of this Section and of Section 6 and Section 8 hereof shall at all times be effective. For purposes of this Section 11(a), the Shares to be purchased hereunder shall be deemed to have been so released upon the earlier of notification by the Representatives to securities dealers releasing such Shares for offering or the release by the Representatives for publication of the first newspaper advertisement which is subsequently published relating to the Shares.

(b) This Agreement (except for the provisions of Sections 6 and 8 hereof) may be terminated by the Representatives by notice to the Company that the Company or the Selling Stockholders have failed to comply in any respect with any of the provisions of this Agreement required on their part to be performed at or prior to the Closing Date or the Option Closing Date, or if any of the representations or warranties of the Company and the Selling Stockholders are not accurate in any respect or if the covenants, agreements or conditions of, or applicable to the Company or the Selling Stockholders herein contained have not been complied with in any respect or satisfied within the time specified on the Closing Date or the Option Closing Date, respectively, or if prior to the Closing Date or the Option Closing Date:

(i) the Company or any of its Subsidiaries shall have sustained a loss by strike, fire, flood, accident or other calamity of such a character as to interfere materially with the conduct of the business and operations of the Company and its Subsidiaries taken as a whole regardless of whether or not such loss was insured;

(ii) trading in the Common Stock shall have been suspended by the Commission or the Nasdaq National Market or trading in securities generally on the New York Stock Exchange or the National Association of Securities Dealers Automated Quotations National Market System shall have been suspended or a material limitation on such trading shall have been imposed or minimum or maximum prices shall have been established on any such exchange or market system;

(iii) a banking moratorium shall have been declared by New York or United States authorities;

(iv) there shall have been an outbreak or escalation of hostilities between the United States and any foreign power or an outbreak or escalation of any other insurrection or armed conflict involving the United States; or

(v) there shall have been a material adverse change in (A) general economic, political or financial conditions or (B) the present or prospective business or condition (financial or other) of the Company and its Subsidiaries taken as a whole that, in each case, in the Representatives' judgment makes it impracticable or inadvisable to make or consummate the public offering, sale or delivery of the Shares on the terms and in the manner contemplated in the Prospectus and the Registration Statement.

(c) Termination of this Agreement under this Section 11 or Section 12 after the Firm Shares have been purchased by the Underwriters hereunder shall be applicable only to the Additional Shares. Termination of this Agreement shall be without liability of any party to any other party other than as provided in Sections 6 and 8 hereof.

12. Substitution of Underwriters. If one or more of the Underwriters shall fail or refuse (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 7 or 11 hereof) to purchase and pay for (a) in the case of the Closing Date, the number of Firm Shares agreed to be purchased by such Underwriter or Underwriters upon tender to you of such Firm Shares in accordance with the terms hereof or (b) in the case of the Option Closing Date, the number of Additional Shares agreed to be purchased by such Underwriter or Underwriters upon tender to you of such Additional Shares in accordance with the terms hereof, and the number of such Shares shall not exceed 10% of the Firm Shares or Additional Shares required to be purchased on the Closing Date or the Option Closing Date, as the case may be, then, each of the non-defaulting Underwriters shall purchase and pay for (in addition to the number of such Shares which it has severally agreed to purchase hereunder) that proportion of the number of Shares which the defaulting Underwriter or Underwriters shall have so failed or refused to purchase on such Closing Date or Option Closing Date, as the case may be, which the number of Shares agreed to be purchased by such non-defaulting Underwriter bears to the aggregate number of Shares so agreed to be purchased by all such non-defaulting Underwriters on such Closing Date or Option Closing Date, as the case may be. In such case, you shall have the right to postpone the Closing Date or the Option Closing Date, as the case may be, to a date not exceeding seven full business days after the date originally fixed as such Closing Date or the Option Closing Date, as the case may be, pursuant to the terms hereof in order that any necessary changes in the Registration Statement, the Prospectus or any other documents or arrangements may be made.

If one or more of the Underwriters shall fail or refuse (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 7 or 11 hereof) to purchase and pay for (a) in the case of the Closing Date, the number of Firm Shares agreed to be purchased by such Underwriter or Underwriters upon tender to you of such Firm Shares in accordance with the terms hereof or (b) in the case of the Option Closing Date, the number of Additional Shares agreed to be purchased by such

Underwriter or Underwriters upon tender to you of such Additional Shares in accordance with the terms hereof, and the number of such Shares shall exceed 10% of the Firm Shares or Additional Shares required to be purchased by all the Underwriters on the Closing Date or the Option Closing Date, as the case may be, then (unless within 48 hours after such default arrangements to your satisfaction shall have been made for the purchase of the defaulted Shares by an Underwriter or Underwriters) and subject to the provisions of Section 11(b) hereof, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or on the part of the Company and the Selling Stockholders except as otherwise provided in Sections 6 and 8 hereof. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this paragraph. Nothing in this Section 12, and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

13. Notices. All communications hereunder shall be in writing and if sent to the Representatives shall be mailed or delivered or telegraphed and confirmed by letter or telecopied and confirmed by letter to c/o ING Baring Furman Selz LLC at 55 East 52nd Street, New York, New York 10055, Attention: Syndicate Department, with a copy to Latham & Watkins, 885 Third Avenue, New York, New York 10022, Attention: Steven Della Rocca or, if sent to the Company, shall be mailed or delivered or telegraphed and confirmed to the Company at 575 Broadway, 6th Floor, New York, New York 10012, with a copy to Tenzer Greenblatt LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Robert Mittman.

14. Successors. This Agreement shall inure to the benefit of and be binding upon the Company, the Selling Stockholders and each Underwriter and their respective successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person, except that the representations, warranties, indemnities and contribution agreements of the Company and the Selling Stockholders contained in this Agreement shall also be for the benefit of any person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and except that the Underwriters' indemnity and contribution agreements shall also be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement, any person or persons, if any, who control the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act. No purchaser of Shares from the Underwriters will be deemed a successor because of such purchase.

15. Applicable Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the choice of law or conflict of law principles thereof. Each party hereto consents to the jurisdiction of each court in which any action is commenced seeking indemnity or contribution pursuant to Section 8 above and agrees to accept, either directly or through an agent, service of process of each such court.

16. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

If the foregoing correctly sets forth our understanding, please indicate the Underwriters' acceptance thereof in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

The Company:

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By:_____
Name:
Title:

The Subsidiaries:

GEARHEAD ENTERTAINMENT, INC.

By:_____
Name:
Title:

MISSION STUDIOS, INC.

By:_____
Name:
Title:

ALTERNATIVE REALITY TECHNOLOGIES, INC.

By:_____
Name:
Title:

TAKE-TWO INTERACTIVE SOFTWARE EUROPE LIMITED

By:_____
Name:
Title:

GOLDWEB SERVICES

By:_____
Name:
Title:

TAKE-TWO INTERACTIVE FRANCE F.A.

By:_____
Name:
Title:

TAKE-TWO INTERACTIVE GMBH

By:_____
Name:
Title:

INVENTORY MANAGEMENT SYSTEMS, INC.

By:_____
Name:
Title:

JACK OF ALL GAMES, INC.

By:_____
Name:
Title:

DIRECTSOFT AUSTRALIA PTY. LIMITED

By:_____
Name:
Title:

TALONSOFT, INC.

By:_____
Name:
Title:

L.D.A. DISTRIBUTION LIMITED

By:_____
Name:
Title:

JOYTECH EUROPE LIMITED

By:_____
Name:
Title:

FALCON VENTURES CORPORATION (d/b/a DVDWAVE.COM)

By:_____
Name:
Title:

The Selling Stockholders:

By:_____
Name: Peter M. Brant
Title:

By:_____
Name: BMG Entertainment
Title:

By:_____
Name: Robert Alexander
Title:

By:_____
Name: David Rosenbaum
Title:

By:_____
Name: Oliver R. Grace, Jr.
Title:

By:_____
Name: Ryan A. Brant
Title:

By:_____
Name: Neil S. Hirsch
Title:

By:_____
Name: Larry Muller
Title:

By:_____
Name: Robert Flug
Title:

By:_____
Name: Anthony R. Williams
Title:

By:_____
Name: Barbara A. Ras
Title:

By:_____
Name: Kelly Sumner
Title:

Accepted as of the date first above written:

ING BARING FURMAN SELZ LLC Gerard Klauer Mattison & Co., Inc. MORGAN KEEGAN & COMPANY, INC.

By: ING Baring Furman Selz LLC Acting on its own behalf and as one of the Representatives of the several Underwriters referred to in the foregoing Agreement

By:_____
Name:
Title:

Schedule I
Underwriters

Name and Address	(1) Number of Firm Shares to be Purchased from the Company	(2) Number of Additional Shares to be Purchased
ING Baring Furman Selz LLC.....	_____	_____
Gerard Klauer Mattison & Co., Inc....	_____	_____
Morgan Keegan & Company, Inc.....	_____	_____
Total.....	_____	_____
	==========	==========

Appendix A

1. Opinion of Counsel to the Company

(a) Each of the Company and its Subsidiaries (A) is a duly incorporated and validly existing corporation in good standing under the laws of its jurisdiction of incorporation, with corporate power and corporate authority to own or lease its properties and to conduct its business as described in the Prospectus; and (B) is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction (x) in which the conduct of its business requires such qualification and (y) in which it owns or leases property.

(b) The authorized, issued and outstanding capital stock of the Company is as set forth under the caption "Capitalization" in the Prospectus; the issued and outstanding shares of the Company's capital stock have been duly authorized and validly issued by the Company, are fully paid and nonassessable and have been issued in compliance with all federal and state securities laws and to the knowledge of such counsel, have not been issued in violation of any preemptive right, co-sale right, registration right, right of first refusal or other similar right known to such counsel;

(c) The Company has duly authorized the issuance and sale of the Shares to be sold by it hereunder; such Shares, when issued by the Company and paid for in accordance with the terms hereof, will be validly issued, fully paid and nonassessable and will conform in all material respects to the description thereof contained in the Prospectus and will be sold free and clear of any pledge, lien, security interests, encumbrance, claim, or equitable interest, and, to the knowledge of such counsel, not in violation of or subject to any preemptive right, co-sale right, right of first refusal or other similar right, which rights have not previously been waived, in connection with the purchase or sale of any of the Shares;

(d) To the best knowledge of such counsel, there are no contracts or documents which are required by the Act to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement which are not described or filed as required by the Act and the Rules and Regulations;

(e) The statements set forth under the headings "Risk Factors - --_____," "Business -- Legal Matters," "Management -- Employee Stock and Other Benefit Plans," "Description of Capital Stock," and "Certain Transactions" and statements in response to Items 14 and 15 of Form S-1 under the Act of the Registration Statement in the Prospectus, insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, provide an accurate summary in all material respects of such legal matters, documents and proceedings;

(f) The Company and each Selling Stockholder, as applicable, has all requisite corporate legal right, power, and authority to enter into this Agreement and to consummate the transactions provided for herein; this Agreement has been duly authorized, executed and delivered by the Company and each Selling Stockholder, as applicable;

(g) None of the Company's execution or delivery of this Agreement, its performance hereof, its consummation of the transactions contemplated herein conflicts or will conflict with or results or will result in any breach or violation of any of the terms or provisions of, or constitute a default under, the terms of the certificate of incorporation or by-laws of the Company; the terms of any indenture, mortgage, deed of trust, voting trust agreement, stockholder's agreement, note agreement or other agreement or instrument filed as an exhibit to the Registration Statement to which the Company is a party or by which it is or may be bound or to which any of its properties may be subject; or, to the best knowledge of such counsel, any Massachusetts, New York or United States statute, rule or regulation or the Delaware General Corporate Law, of any state or Federal regulatory body or administrative agency or other governmental agency or body, of any state or Federal government, arbitrator, court, regulatory body or administrative agency or other governmental agency or body, having such jurisdiction;

(h) None of the Selling Stockholder's execution or delivery of this Agreement, its performance hereof, its consummation of the transactions contemplated herein conflicts or will conflict with or results or will result in any breach or violation of any of the terms or provisions of, or constitute a default under, the terms of the certificate of incorporation or by-laws of such Selling Stockholder, as applicable; the terms of any indenture, mortgage, deed of trust, voting trust agreement, stockholder's agreement, note agreement or other agreement or instrument filed as an exhibit to the Registration Statement to which such Selling Stockholder, as applicable, is a party or by which it is or may be bound or to which any of its properties may be subject; or, to the best knowledge of such counsel, any New York or United States statute, rule or regulation or the Delaware General Corporate Law, of any state or Federal regulatory body or administrative agency or other governmental agency or body, of any state or Federal government, arbitrator, court, regulatory body or administrative agency or other governmental agency or body, having such jurisdiction;

(i) No consent, approval, authorization or order of any state or Federal court regulatory body or administrative agency or other New York or Federal governmental agency or body, has been or is required for the Company's or the Selling Stockholders'performance of this Agreement or the consummation of the transactions contemplated hereby, except such as have been obtained under the Act or may be required under state securities or blue sky laws (as to which no opinion shall be expressed) in connection with the purchase and distribution by the Underwriters of the Shares or may be required by the National Association of Securities Dealers, Inc. (as to which no opinion shall be expressed);

(j) Upon delivery of the Shares and payment therefor in accordance with the terms of the Agreement, the several Underwriters will acquire all of the rights of the Selling Stockholders to such Shares and will acquire such Shares free and clear of any "adverse claim"(as such term is used in Section 8-302 of the Uniform Commercial Code as in effect in the State of New York), assuming the several Underwriters acquire such Shares in good faith and without notice of any "adverse claim."

(k) All holders of securities of the Company who, to such counsel's knowledge, have rights to cause the Company to register shares of Common Stock or other securities because of the filing of the Registration Statement by the Company have waived such rights, such rights have expired by reason of lapse of time following notification of the Company's intent to file the Registration Statement or such rights have been satisfied in accordance with their respective terms;

(l) No transfer taxes are required to be paid in connection with the sale or delivery to the Underwriters of the Shares;

In rendering any such opinion, such counsel may rely, as to matters of fact, to the extent such counsel deems proper, on certificates of responsible officers of the Company and public officials and, as to matters involving the application of laws of any jurisdiction other than the State of New York, the Delaware General Corporation Law or the United States.

References to the Registration Statement and the Prospectus in such opinion shall include any amendment or supplement thereto at the date of such opinion.

In addition, such counsel shall provide a separate letter to the Representatives of the several Underwriters in the form attached hereto as Appendix B.

Schedule II
Selling Stockholders

BMG Entertainment
Robert Alexander
David Rosenbaum
Oliver R. Grace, Jr.
Neil S. Hirsch
Larry Muller
Robert Flug
Kelly Sumner

Appendix B

[Insert Date]

ING Baring Furman Selz LLC
Gerard Klauer Mattison & Co., Inc.
Morgan Keegan & Company, Inc.
As representatives of the several
Underwriters named in Schedule I hereto
c/o ING Baring Furman Selz LLC
55 East 52nd Street
New York, New York 10055

Ladies and Gentlemen:

We have acted as counsel for Take-Two Interactive Software, Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), of its Registration Statement on Form S-1 (Registration No. 333-_____), as amended, relating to the offering of an aggregate of (i) 3,500,000 shares (the "Company Shares") of the Company's common stock, par value $.01 per share (the "Common Stock"), by the Company and (ii) 1,500,000 shares (the "Stockholder Shares") of Common Stock by the selling stockholders listed in Schedule II (the "Selling Stockholders") to the several underwriters (the "Underwriters") listed in Schedule I to the Underwriting Agreement, dated March __, 1999 (the "Agreement"), between the Company, the Selling Stockholders and you, as representatives of the several Underwriters (the "Representatives"). The Company Shares to be sold by the Company and the Stockholder Shares to be sold by the Selling Stockholders are collectively referred to herein as the "Firm Shares." The Company also proposed to issue and sell to the several Underwriters an aggregate of not more than 750,000 additional shares of Common Stock (the "Additional Shares"), if requested by the Underwriters in accordance with Section 9 of the Underwriting Agreement. The Firm Shares and the Additional Shares are collectively referred to herein as the "Shares." The Registration Statement, as amended when it became effective (including the information deemed to be a part thereof as of such time pursuant to Rule 430A under the Securities Act), is herein called the "Registration Statement," and the related prospectus dated _____, 1999, as filed on _____, 1999 with the Commission pursuant to Rule 424(b) under the Securities Act, is herein called the "Prospectus."

We have examined such corporate records, certificates and other documents as we have considered necessary or appropriate for the purposes of this letter.

Whenever a statement herein is indicated to be based upon "our knowledge" or "the best of our knowledge" or contains a similar qualification, it should be understood that during the course of our representation of the Company and the Selling Stockholders we have not undertaken any independent investigation to determine the existence or absence of facts in connection with the preparation of this letter. The phrase "our knowledge," and similar language used in certain of the statements below, are limited to the knowledge of the lawyers within our firm who have given attention to the Company's affairs.

Capitalized terms used but not defined herein shall have the respective meanings attributed to them in the Agreement.

We have participated in the preparation of the Registration Statement and Prospectus and have participated in discussions with your representatives, those of counsel for the Underwriters, and those of the Company and its accountants. On the basis of the information that we gained in the course of the performance of the services referred to above, considered in the light of our understanding of the applicable law and the experience we have gained through our practice under the Securities Act, we confirm to you that nothing that came to our attention in the course of such review has caused us to believe that the Registration Statement or any further amendment thereto made by the Company prior to the Closing Date contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to the Closing Date contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of the Closing Date, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to the Closing Date contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

The Registration Statement and the Prospectus and any further amendments or supplements thereto made by the Company prior to the Closing Date (other than financial, statistical or accounting data and related schedules therein, as to which we make no statement) comply as to form in all material respects to the requirements of the Securities Act and the applicable Rules and Regulations promulgated under the Securities Act.

To the best of our knowledge, there is not pending or threatened against the Company any action, suit, proceeding or investigation before or by any court, regulatory body or administrative agency, or any other governmental agency or body, domestic or foreign, of a character required to be disclosed in the Registration Statement or the Prospectus which is not so disclosed therein.

The Registration Statement has become effective under the Securities Act. The foregoing statement is based solely upon verbal advice of _____ the Securities and Exchange Commission staff on _____, 1999 that the Commission had declared the Registration Statement effective as of _____ p.m. on _____, 1999. To the best of our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued by the Commission nor has any proceeding been instituted or contemplated for that purpose under the Securities Act. Based solely upon a written confirmation from the Commission's EDGAR Filing Desk dated _____, 1999, the Prospectus has been filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations promulgated under the Securities Act within the time period required thereby.

Notwithstanding the foregoing, the limitations inherent in the independent verification of factual matters and the character of determinations involved in the registration process are such, however, that we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus except for those made under the captions "Risk Factors--_____," "Business--Legal Matters," "Management--Employee Stock and Other Benefit Plans," "Description of Capital Stock," "Shares Eligible for Future Sale" and "Certain Transactions" in the Prospectus and statements in response to Items 14 and 15 of Form S-1 under the Act of the Registration Statement, insofar as such statements constitute a summary in all material respects of documents referred to therein or matters of law. Also, we do not express any belief or otherwise make any statement as to the financial statements, other financial, statistical or accounting data and related schedules contained in the Registration Statement or the Prospectus.

This letter is furnished by us as counsel for the Company and the Selling Stockholders to you as Representatives of the several Underwriters and is solely for the benefit of the several Underwriters and may not be relied upon by any other person without our express written consent. The statements in this letter are made as of the date hereof and we disclaim any obligation to advise you of any changes in facts or circumstances which might affect any matters or statements set forth herein.

Very truly yours,

TENZER GREENBLATT LLP

Exhibit 5.1

April 8, 1999

Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012

Gentlemen:

You have requested our opinion with respect to the public offering and sale by Take-Two Interactive Software, Inc., a Delaware corporation (the "Company"), and certain Selling Stockholders pursuant to a Registration Statement (the "Registration Statement") on Form S-1 (No. 333-74851), under the Securities Act of 1933, as amended (the "Act"), of up to 5,750,000 shares (the "Shares") of Common Stock, par value $.01 per share.

We have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents and corporate and public records as we deem necessary as a basis for the opinion hereinafter expressed. With respect to such examination, we have assumed the genuineness of all signatures appearing on all documents presented to us as originals, and the conformity to the originals of all documents presented to us as conformed or reproduced copies. Where factual matters relevant to such opinion were not independently established, we have relied upon certificates of appropriate state and local officials, and upon certificates of executive officers and responsible employees and agents of the Company.

Based upon the foregoing, it is our opinion that the Shares have been duly and validly authorized and when sold, paid for and issued as contemplated by the Registration Statement will be duly and validly issued and fully paid and nonassessable.

We hereby consent to the use of this opinion as Exhibit 5 to the Registration Statement, and to the use of our name as counsel in connection with the Registration Statement and in the Prospectus forming a part thereof. In giving this consent, we do not thereby concede that we come within the categories of persons whose consent is required by the Act or the General Rules and Regulations promulgated thereunder.

Very truly yours,

/s/ Tenzer Greenblatt LLP

TENZER GREENBLATT LLP

EMPLOYMENT AGREEMENT

AGREEMENT dated as of August 1, 1998 between TAKE-TWO INTERACTIVE SOFTWARE, INC., a Delaware corporation (the "Employer" or the "Company"), and Ryan A. Brant (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer and Employee are parties to an Employment Agreement dated as of November 1, 1996 (the "Original Agreement");

WHEREAS, the Employer desires to continue to employ the Employee as its Chief Executive Officer and to be assured of his services as such on the terms and conditions hereinafter set forth; and

WHEREAS, the Employee is willing to accept such employment on such terms and conditions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Employer and the Employee hereby agree as follows:

I. Term. Employer and Employee agree to terminate the Original Agreement. Employer hereby agrees to employ Employee, and Employee hereby agrees to serve Employer for a five-year period commencing effective as of the date of this Agreement (the "Effective Date") (such period being herein referred to as the "Initial Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year"). After the Initial Term and on the last day of any Employment Year thereafter, this Agreement shall be automatically renewed for successive one year periods (each such period being referred to as a "Renewal Term"), unless, more than ninety (90) days prior to the expiration of the Initial Term or any Renewal Term, either the Executive or the Company gives written notice that employment will not be renewed ("Notice of Non-Renewal"), whereupon (i) if the Executive gives the Notice of Non-Renewal, the term of the Executive's employment shall terminate upon the expiration of the Initial Term or the then current Renewal Term, as the case may be, or (ii) if the Company gives the Notice of Non-Renewal or terminates this Agreement without Cause, the term of the Executive's employment shall be for a final five (5) year period (the "Final Renewal Term"), commencing effective at the date of the Notice of Non-Renewal, unless sooner terminated pursuant to Section VI hereof.

II. Employee Duties.

A. During the term of this Agreement, the Employee shall have the duties and responsibilities of Chief Executive Officer, reporting directly to the Board of Directors of the Employer (the "Board"). It is understood that such duties and responsibilities shall be reasonably related to the Employee's position.

B. The Employee shall devote substantially all of his business time, attention, knowledge and skills faithfully, diligently and to the best of his ability, in furtherance of the business and activities of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices.

III. Compensation.

A. During the term of this Agreement, the Employer shall pay the Employee a salary (the "Salary") at a rate of $233,000 per annum in respect of each Employment Year, payable in equal installments bi-weekly, or at such other times as may mutually be agreed upon between the Employer and the Employee. The Salary shall be increased by 7.5% each year, commencing April 30, 1999, provided that the Company's net income per share for the one-year period then ended exceeds the Company's net income per share for the prior one-year period. Such Salary may be increased from time to time at the discretion of the Board.

B. The Employee shall be paid a bonus equal to $20,000 for each fiscal quarter, commencing with the fiscal quarter ending October 31, 1998; provided that the Company's net income per share in any such quarter exceeds the Company's net income per share in the comparable quarter for the prior year. The Employee shall also receive a bonus in the amount of $94,000 on May 1, 1999, provided that the Employee is still employed by the Company on such date. In addition, in partial consideration of the bonus which would have been payable to Employee under the terms of the Original Agreement, Employer shall forgive $84,659 of indebtedness owed to Employer and pay, on behalf of Employee, simultaneously with the execution of this Agreement, $175,000, representing the exercise price on a pre-tax basis of options to purchase 100,000 shares of Common Stock held by Employee.

C. The Employee shall be entitled to receive options to purchase 100,000 shares of the Company's Common Stock at an exercise price of $5.875 per share. In addition, the Employee shall be entitled to receive options to purchase 175,000 shares of the Company's Common Stock each year, commencing July 31, 1999, at the then-current market price, provided that the Company's net income per share for the one-year period then ended exceeds the Company's net income per share for the prior one-year period.

D. The Employee shall be entitled to an automobile allowance of $1,800 per month.

E. In addition to the foregoing, the Employee shall be entitled to such other cash bonuses and such other compensation in the form of stock, stock options or other property or rights as may from time to time be awarded to him by the Board during or in respect of his employment hereunder.

IV. Benefits.

A. During the term of this Agreement, the Employee shall have the right to receive or participate in all existing and future benefits and plans which the Company may from time to time institute during such period for its executive officers (the "Executive Officers") and for which the Employee is eligible. Nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary or any other obligation payable to the Employee pursuant to this Agreement.

B. During the term of this Agreement, the Employee will be entitled to the number of paid holidays, personal days off, paid vacation days and sick leave days in each calendar year as are determined by the Company from time to time. Such paid vacation may be taken in the Employee's discretion with the prior approval of the Employer, and at such time or times as are not inconsistent with the reasonable business needs of the Company.

V. Travel Expenses. All travel and other expenses incident to the rendering of services reasonably incurred on behalf of the Company by the Employee during the term of this Agreement shall be paid by the Employer provided that such expenses are incurred in accordance with the Company's policies. If any such expenses are paid in the first instance by the Employee, the Employer shall reimburse him therefor on presentation of appropriate receipts for any such expenses.

VI. Termination.

A. Disability. Employer may terminate this Agreement for Disability. "Disability" shall exist if because of ill health, physical or mental disability, or any other reason beyond his control, and notwithstanding reasonable accommodations made by Employer, the Employee shall have been unable, unwilling or shall have failed to perform his duties under this Agreement, as determined in good faith by the Board for a period of 180 consecutive days, or if, in any 12-month period, the Employee shall have been unable or unwilling or shall have failed to

perform his duties for a period of 270 or more business days, irrespective of whether or not such days are consecutive.

B. Cause. Employer may terminate the Employee's employment for Cause. Termination for "Cause" shall mean termination because of the Employee's (i) gross negligence on the part of the Employee, (ii) the engaging by Employee in criminal misconduct that causes material economic harm to Employer, (iii) a nonappealable conviction of the Employee of a felony, or (iv) material breach of any provision of this Agreement. Items (i), (ii) and (iv) of this subsection shall not constitute Cause unless Employer notifies the Employee thereof in writing, specifying in reasonable detail the basis therefor and stating that it is grounds for Cause. Furthermore, if Employee's actions are curable, items (i), (ii) and (iv) of this subsection shall not constitute Cause unless the Employee fails to cure such matter within 60 days after such notice is sent or given under this Agreement. The Employee shall be permitted to respond and to defend himself before the Board or any appropriate committee thereof within a reasonable time after written notification of any proposed termination for Cause under items (i), (ii) or (iv) of this subsection.

C. Without Cause. During the Term, Employer may terminate the Employee's employment Without Cause, subject to the provisions of subsection VII D (Termination Without Cause or for Company Breach). Termination "Without Cause" shall mean termination of the Employee's employment by Employer other than termination for Cause or for Disability.

D. Company Breach. The Employee may terminate his employment hereunder for Company Breach. For purposes of this Agreement a "Company Breach" shall be deemed to occur in the event of a material breach of this Agreement by Employer, including without limitation any material reduction in the authority, duties and responsibilities that the Employee has on the Effective Date of this Agreement; provided, however, that the foregoing shall not constitute a Company Breach unless the Employee notifies Employer thereof in writing, specifying in reasonable detail the basis therefor and stating that it is grounds for Company Breach, and unless Employer fails to cure such Company Breach within 60 days after such notice is sent or given under this Agreement.

E. Change in Control. The Employee may terminate his employment hereunder within 12 months of a Change in Control (defined below):

(i) "Change in Control" shall mean any of the following:

1. any consolidation or merger of Employer in which Employer is not the

continuing or surviving corporation or pursuant to which shares of Employer's common stock would be converted into cash, securities or other property, other than a merger of Employer in which the holders of Employer common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger;

2. any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Employer;

3. any approval by the stockholders of Employer of any plan or proposal for the liquidation or dissolution of Employer;

4. the cessation of control (by virtue of their not constituting a majority of directors) of the Board by the individuals (the "Continuing Directors") who (x) at the date of this Agreement were directors or (y) become directors after the date of this Agreement and whose election or nomination for election by Employer's stockholders, was approved by a vote of at least two-thirds of the directors then in office who were directors at the date of this Agreement or whose election or nomination for election was previously so approved); or

5. (A) the acquisition of beneficial ownership ("Beneficial Ownership"), within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of an aggregate of 20% or more of the voting power of Employer's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Exchange Act) who Beneficially Owned less than 10% of the voting power of Employer's outstanding voting securities on the Effective Date of this Agreement, (B) the acquisition of Beneficial Ownership of an additional 5% of the voting power of Employer's outstanding voting securities by any person or group who Beneficially Owned at least 10% of the voting power of Employer's outstanding voting securities on the Effective Date of this Agreement, or (C) the execution by Employer and a stockholder of a

contract that by its terms grants such stockholder (in its, hers or his capacity as a stockholder) or such stockholder's Affiliate (as defined in Rule 405 promulgated under the Securities Act of 1933 (an "Affiliate")) including, without limitation, such stockholder's nominee to the Board (in its, hers or his capacity as an Affiliate of such stockholder), the right to veto or block decisions or actions of the Board; provided, however, that notwithstanding the foregoing, the events described in items (A), (B) or (C) above shall not constitute a Change in Control hereunder if the acquiror is (aa) Ryan A. Brant or his Affiliates, (bb) a trustee or other fiduciary holding securities under an employee benefit plan of Employer, or one of its affiliated entities and acting in such capacity, (cc) a corporation owned, directly or indirectly, by the stockholders of Employer in substantially the same proportions as their ownership of voting securities of Employer of or (dd) a person or group meeting the requirements of clauses (i) and (ii) of Rule 13d-1(b)(1) under the Exchange Act of or (ee) in the case of an acquisition described in items (A) or (B) above (but not in the case of an acquisition described in item (C) above), any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; provided further, however, that none of the following shall constitute a Change in Control: (aa) the right of the holders of any voting securities of Employer to vote as a class on any matter or (bb) any vote required of disinterested or unaffiliated directors or stockholders including, without limitation, pursuant to Section 144 of the Delaware General Corporation Law or Rule 16b-3 promulgated pursuant to the Exchange Act.

6. subject to applicable law, in a Chapter 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving Employer to a case under Chapter 7.

F. Without Good Reason. During the Term, the Employee may terminate his employment Without Good Reason. Termination "Without Good Reason" shall mean termination of the

Employee's employment by the Employee other than termination for Company Breach.

G. Explanation of Termination of Employment. Any party terminating this Agreement shall give prompt written notice ("Notice of Termination") to the other party hereto advising such other party of the termination of this Agreement. Within thirty (30) days after notification that the Agreement has been terminated, the terminating party shall deliver to the other party hereto a written explanation (the "Explanation of Termination of Employment"), which shall state in reasonable detail the basis for such termination and shall indicate whether termination is being made for Cause, Without Cause or for Disability (if Employer has terminated the Agreement) or for Company Breach, upon a Change in Control or Without Good Reason (if the Employee has terminated the Agreement).

H. Date of Termination. "Date of Termination shall mean the date on which Notice of Termination is sent or given under this Agreement.

VII. Compensation During Disability or Upon Termination.

A. During Disability. During any period that the Employee fails to perform his duties hereunder because of ill health, physical or mental disability, or any other reason beyond his control, he shall continue to receive his full Salary and benefits pursuant to Sections III and IV (Compensation and Benefits) until the Date of Termination.

B. Termination for Disability. If Employer shall terminate the Employee's employment for Disability, the Employee shall be paid, in equal monthly installments, 100% of his Salary, at the rate in effect at the time Notice of Termination is given, for one year, and thereafter for one additional year at an annual rate equal to 50% of the Salary which would have been in effect under this Agreement, plus, in each case, any disability payments otherwise payable by or pursuant to plans provided by the Employer to its Executive Officers. To the extent physically and mentally capable of so doing without potentially impairing or damaging his health, the Employee shall provide consulting services to the Employer during the period that he is receiving payments pursuant to this Section VII(B).

C. Termination for Cause or Without Good Reason. If Employer shall terminate the Employee's employment for Cause or if the Employee shall terminate his employment Without Good Reason, then Employer's obligation to pay Salary and benefits pursuant to Sections III and IV (Compensation and Benefits) shall terminate, except that Employer shall pay the Employee his accrued but unpaid Salary and benefits pursuant to

Sections III and IV (Compensation and Benefits) through the Date of Termination.

D. Termination Without Cause or for Company Breach. If Employer shall terminate the Employee's employment Without Cause or if the Employee shall terminate his employment for Company Breach, then Employer shall pay to the Employee, as severance pay in a lump sum on the 15th day following the Date of Termination, the following amounts:

(i) his then-unpaid Salary through the Date of Termination at the rate in effect as of the Date of Termination; and

(ii) in lieu of any further Salary for periods subsequent to the Date of Termination, an amount equal to the product of (A) the sum of the Employee's Salary at the rate in effect as of the Date of Termination, plus the average bonus paid to the Employee during the preceding two fiscal quarters (or such shorter period for which any bonus has been paid), divided by 365, and multiplied by (B) the number of days from the Date of Termination to July 31, 2003.

If the Employee terminates his employment for Company Breach based upon a material reduction by Employer of the Employee's Salary, then for purposes of this subsection VII (D) (Termination Without Cause or for Company Breach), the Employee's Salary as of the Date of Termination shall be deemed to be the Employee's Salary immediately prior to the reduction that the Employee claims as grounds for Company Breach.

E. Termination Upon a Change in Control. If the Employee terminates his employment after a Change in Control pursuant to subsection VI (E) (Change in Control), then Employer shall pay to the Employee as severance pay and as liquidated damages (because actual damages are difficult to ascertain), in a lump sum, in cash, within 15 days after termination, an amount equal to 2.99 times the Employee's "annualized includable compensation for the base period" (as defined in Section 280G of the Internal Revenue Code of 1986); provided, however, that if such lump sum severance payment, either alone or together with other payments or benefits, either cash or non-cash, that the Employee has the right to receive from Employer, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Employee under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Employee of a parachute payment. The determination of the

amount of the payment described in this subsection shall be made by Employer's independent auditors.

F. Employee Benefits. Unless Employer terminates the Employee's employment for Cause or the Employee terminates his employment Without Good Reason, Employer shall maintain in full force and effect (to the extent consistent with past practice), for the continued benefit of the Employee and, if applicable, his wife and children, the employee benefits set forth in section IV (Benefits) above that he was entitled to receive immediately prior to the Date of Termination (subject to the general terms and conditions of the plans and programs under which he receives such benefits) for the balance of the Term or for the period provided for under the terms and conditions of such plans and programs, whichever is longer, provided that his continued participation or, if applicable, the participation of his wife and children, is possible under the general terms and conditions of such plans and programs.

G. No Mitigation. The Employee shall not be required to mitigate the amount of any payment provided for in this Section VII (Compensation During Disability or Upon Termination) by seeking other employment or otherwise.

VIII. Death of Employee. If the Employee dies prior to the expiration of this Agreement, the Employer shall pay to such person as he shall designate in writing filed with the Employer, or if no such person shall be designated, to his estate as a lump sum benefit, his full Salary to the date of his death in addition to any payments to the Employee's spouse, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan or life insurance policy or similar plan or policy then maintained by the Employer, and such payments shall, assuming the Employer is in compliance with the provisions of this Agreement, fully discharge the Employer's obligations with respect to this Section VIII of this Agreement, but all other obligations of the Employer under this Agreement, including the obligations to indemnify, defend and hold harmless the Employee, shall remain in effect.

IX. Confidentiality; Noncompetition.

A. The Employer and the Employee acknowledge that the services to be performed by the Employee under this Agreement are unique and extraordinary and, as a result of such employment, the Employee will be in possession of confidential information relating to the business practices of the Company. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company or any of its affiliates, or any of their respective activities, other than such information which can be shown by the Employee to be in the public domain (such information not being deemed to be in the

public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this Section IX(a), including, but not limited to, information relating to: trade secrets, personnel lists, financial information, research projects, services used, pricing, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. The Employee agrees that he will not, during or for a period of one year after the termination of employment, directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any confidential information regarding the clients, customers or business practices of the Company acquired by the Employee during his employment by Employer, without the prior written consent of Employer; provided, however, that the Employee understands that Employee will be prohibited from misappropriating any trade secret at any time during or after the termination of employment.

B. The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following such employment, directly or indirectly, within any county (or adjacent county) in any State within the United States or territory outside the United States in which the Company is engaged in business during the period of the Employee's employment or on the date of termination of the Employee's employment, engage, have an interest in or render any services to any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) competitive with the Company's principal business activities. Notwithstanding the foregoing, Employee shall be permitted to own (as a passive investment) not more than 5% of any class of securities which is publicly traded; provided, however that said 5% limitation shall apply to the aggregate holdings or Employee and those of all other persons and entities with whom Employee has agreed to act for the purpose of acquiring, holding, voting or disposing of such securities.

C. The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following such employment, directly or indirectly, take any action which constitutes an interference with or a disruption of any of the Company's business activities including, without limitation, the solicitations of the Company's customers, or persons listed on the personnel lists of the Company. At no time during the term of this Agreement, or thereafter shall the Employee directly or indirectly, disparage the commercial, business or financial reputation of the Company.

D. For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs IX(B) and (C) above shall serve as a prohibition against him, during the period referred to therein, directly or indirectly, hiring, offering to hire, enticing,

soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee or customer who has been previously contacted by either a representative of the Company, including the Employee, (but only those suppliers existing during the time of the Employee's employment by the Company, or at the termination of his employment), to discontinue or alter his, her or its relationship with the Company.

E. Upon the termination of the Employee's employment for any reason whatsoever, all documents, records, notebooks, equipment, price lists, specifications, programs, customer and prospective customer lists and other materials which refer or relate to any aspect of the business of the Company which are in the possession of the Employee including all copies thereof, shall be promptly returned to the Company.

F. 1. The Employee agrees that all processes, technologies and inventions ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by him during his employment by Employer shall belong to the Company, provided that such Inventions grew out of the Employee's work with the Company are related in any manner to the business (commercial or experimental) of the Company or are conceived or made on the Company's time or with the use of the Company's facilities or materials. The Employee shall further: (a) promptly disclose such Inventions to the Company; (b) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship;

2. If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by the Employee within two years after the termination of his employment by the Company, it is to be presumed that the Invention was conceived or made during the period of the Employee's employment by the Company; and

3. The Employee agrees that he will not assert any rights to any Invention as having been made or acquired by him prior to the date of this Agreement, except for Inventions, if any, disclosed to the Company in writing prior to the date hereof.

G. The Company shall be the sole owner of all products and proceeds of the Employee's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Employee may acquire, obtain, develop or create in connection with and during the term of the Employee's employment hereunder, free and clear

of any claims by the Employee (or anyone claiming under the Employee) of any kind or character whatsoever (other than the Employee's right to receive payments hereunder). The Employee shall, at the request of the Company, execute such assignments, certificates or other instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend its right, or title and interest in or to any such properties.

H. The parties hereto hereby acknowledge and agree that (i) the Company would be irreparably injured in the event of a breach by the Employee of any of his obligations under this Section IX, (ii) monetary damages would not be an adequate remedy for any such breach, and (iii) the Company shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach.

I. The parties hereto hereby acknowledge that, in addition to any other remedies the Company may have under Section IX(H) hereof, the Company shall have the right and remedy to require the Employee to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Employee as the result of any transactions constituting a breach of any of the provisions of Section 10, and the Employee hereby agrees to account for any pay over such Benefits to the Company.

J. Each of the rights and remedies enumerated in Section IX(H) and IX(I) shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

K. If any provision contained in this Section 10 is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions.

L. If any provision contained in this Section 10 is found to be unenforceable by reason of the extent, duration or scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, scope or other provision and in its reduced form any such restriction shall thereafter be enforceable as contemplated hereby.

M. It is the intent of the parties hereto that the covenants contained in this Section IX shall be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought (the Employee

hereby acknowledging that said restrictions are reasonably necessary for the protection of the Company). Accordingly, it is hereby agreed that if any of the provisions of this Section IX shall be adjudicated to be invalid or unenforceable for any reason whatsoever, said provision shall be (only with respect to the operation thereof in the particular jurisdiction in which such adjudication is made) construed by limiting and reducing it so as to be enforceable to the extent permissible, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of said provision in any other jurisdiction.

X. Indemnification. The Employer shall indemnify and hold harmless the Employee against any and all expenses reasonably incurred by him in connection with or arising out of (a) the defense of any action, suit or proceeding in which he is a party, or (b) any claim asserted or threatened against him, in either case by reason of or relating to his being or having been an employee, officer or director of the Company, whether or not he continues to be such an employee, officer or director at the time of incurring such expenses, except insofar as such indemnification is prohibited by law. Such expenses shall include, without limitation, the fees and disbursements of attorneys, amounts of judgments and amounts of any settlements, provided that such expenses are agreed to in advance by the Employer. The foregoing indemnification obligation is independent of any similar obligation provided in the Employer's Certificate of Incorporation or Bylaws, and shall apply with respect to any matters attributable to periods prior to the Effective Date, and to matters attributable to his employment hereunder, without regard to when asserted.

XI. General. This Agreement is further governed by the following provisions:

A. Notices. All notices relating to this Agreement shall be in writing and shall be either personally delivered, sent by telecopy (receipt confirmed) or mailed by certified mail, return receipt requested, to be delivered at such address as is indicated below, or at such other address or to the attention of such other person as the recipient has specified by prior written notice to the sending party. Notice shall be effective when so personally delivered, one business day after being sent by telecopy or five days after being mailed.

To the Employer:

Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012

To the Employee:

Ryan A. Brant

With, in either case, a copy in the same manner to:

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174

B. Parties in Interest. Employee may not delegate his duties or assign his rights hereunder. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

C. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of the Employee by the Employer and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. Any modification or termination of this Agreement will be effective only if it is in writing signed by the party to be charged.

D. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

E. Warranty. Employee hereby warrants and represents as follows:

1. That the execution of this Agreement and the discharge of Employee's obligations hereunder will not breach or conflict with any other contract, agreement, or understanding between Employee and any other party or parties.

2. Employee has ideas, information and know-how relating to the type of business conducted by Employer, and Employee's disclosure of such ideas, information and know-how to Employer will not conflict with or violate the rights of any third party or parties.

F. Severability. In the event that any term or condition in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

G. Execution in Counterparts. This Agreement may be executed by the parties in one or more counterparts, each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By:

Name:
Title:

/s/ Ryan A. Brant

Ryan A. Brant

EMPLOYMENT AGREEMENT

AGREEMENT dated as of August 1, 1998 between Take-Two Interactive Software, Inc., a Delaware corporation (the "Employer" or the "Company"), and Anthony R. Williams (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer desires to employ the Employee as its Chief Operating Officer and to be assured of his services as such on the terms and conditions hereinafter set forth; and

WHEREAS, the Employee is willing to accept such employment on such terms and conditions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Employer and the Employee hereby agree as follows:

1. Term. Employer hereby agrees to employ Employee, and Employee hereby agrees to serve Employer for a three-year period commencing effective as of the date first written above (the "Effective Date") (such period being herein referred to as the "Initial Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year"). After the Initial Term, this Agreement shall be renewable automatically for successive one year periods (each such period being referred to as a "Renewal Term"), unless, more than ninety days prior to the expiration of the Initial Term or any Renewal Term, either the Employee or the Company give written notice that employment will not be renewed.

2. Employee Duties.

(a) During the term of this Agreement, the Employee shall have the duties and responsibilities of Chief Operating Officer of the Employer, reporting directly to the Chief Executive Officer of Employer and the Board of Directors of the Employer (the "Board"). It is understood that such duties and responsibilities shall be reasonably related to the Employee's position.

(b) The Employee shall devote substantially all of his business time, attention, knowledge and skills faithfully, diligently and to the best of his ability, in furtherance of the business and activities of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices although the Employee may

be required to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

3. Compensation.

(a) During the term of this Agreement, the Employer shall pay the Employee a salary (the "Salary") at a rate of $233,000 per annum in respect of each Employment Year, payable in equal installments bi-weekly, or at such other times as may mutually be agreed upon between the Employer and the Employee. Such Salary shall be subject to an annual review by the Board may be increased from time to time at the discretion of the Board.

(b) The Employee shall be paid a bonus equal to $25,000 in respect of the fiscal year ending October 31, 1998 and a bonus equal to $10,000 per quarter thereafter; provided that the net income per share in any such quarter exceeds the Company's net income per share in the comparable quarter for the prior year. Subject to the discretion of the Board, the Employee shall also be paid a bonus equal to $20,000 for the fiscal year ended October 31, 1999.

(c) The Employee shall be entitled to receive non-qualified options to purchase 30,000 shares of Common Stock at an exercise price of $2.50 per share and incentive options to purchase 120,000 shares of Common Stock at an exercise price of $5.0625 per share (vesting as to one-half of the shares covered thereby on March 1, 1999 and 2000).

(d) The Employee shall be entitled to receive a car allowance in the amount of $500 per month.

(e) In addition to the foregoing, the Employee shall be entitled to such other cash bonuses and such other compensation in the form of stock, stock options or other property or rights as may from time to time be awarded to him by the Board during or in respect of his employment hereunder.

4. Benefits.

(a) During the term of this Agreement, the Employee shall have the right to receive or participate in all benefits and plans which the Company may from time to time institute during such period for its employees and for which the Employee is eligible, and shall automatically receive or participate in all benefits and plans that the Company's Chief Executive Officer receives or participates in. Nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary or any other obligation payable to the Employee pursuant to this Agreement.

(b) During the term of this Agreement, the Employee will be entitled to the number of paid holidays, personal days off, vacation days and sick leave days in each calendar year as are determined by the Company from time to time, not to be less than five weeks in the aggregate. Such vacation

may be taken in the Employee's discretion with the prior approval of the Employer, and at such time or times as are not inconsistent with the reasonable business needs of the Company.

5. Travel Expenses. All travel and other expenses incident to the rendering of services reasonably incurred on behalf of the Company by the Employee during the term of this Agreement shall be paid by the Employer provided that such expenses are preapproved by the Chief Executive Officer of the Company. If any such expenses are paid in the first instance by the Employee, the Employer shall reimburse him therefor on presentation of appropriate receipts for any such expenses.

6. Termination. Notwithstanding the provisions of Section 1 hereof, the Employee's employment with the Employer may be earlier terminated as follows:

(a) By action taken by the Board, the Employee may be discharged for cause (as hereinafter defined), effective as of such time as the Board shall determine. Upon discharge of the Employee pursuant to this Section 6(a), the Employer shall have no further obligation or duties to the Employee, except for payment of Salary through the effective date of termination, and the Employee shall have no further obligations or duties to the Employer, except as provided in Section 7.

(b) In the event of (i) the death of the Employee or (ii) by action of the Board and the inability of the Employee, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 180 consecutive days, during which 180 day period Salary and any other benefits hereunder shall not be suspended or diminished. Upon any termination of the Employee's employment under this Section 6(b), the Employer shall have no further obligations or duties to the Employee. Employer may obtain disability insurance naming Employee as an insured, which Employee shall pay for.

(c) In the event that Employee's employment with the Employer is terminated by action taken by the Board without cause, then the Employer shall have no further obligation or duties to Employee, except for payment of the amounts described below, and Employee shall have no further obligations or duties to the Employer, except as provided in Section 7. In the event of such termination, the Employer shall continue to pay Salary to the Employee for the remainder of the Initial Term, or the remainder of the current Renewal Term if this Agreement has been renewed; provided, however, that if such termination occurs during the third year of the Initial Term or the final year of any Renewal Term, the Employer shall also pay to the Employee an amount equal to the total Salary and bonus received by the Employee during the 12 months prior to the date of termination. In the event that this Agreement is not renewed, the Company may either waive the provisions of Section 7(b) or pay the Salary to the Employee during the term of the non-compete provision of Section 7(b).

(d) For purposes of this Agreement, the Company shall have "cause" to terminate the Employee's employment under this Agreement upon (i) the failure by the Employee to substantially perform his duties under this Agreement, (ii) the engaging by the Employee in criminal misconduct (including embezzlement and criminal fraud) which is materially injurious to the Company, monetarily or otherwise, (iii) the conviction of the Employee of a felony or (iv) gross negligence on the part of the Employee. The Company shall give written notice to the Employee, which notice shall specify the grounds for the proposed termination and the Employee shall be given thirty (30) days to cure if the grounds arise under clauses (i) or (v) above.

(e) In the event that Employee's employment with the Employer is terminated upon a Change in Control (as hereinafter defined), then the Employer shall have no further obligation or duties to Employee, except for payment of the amounts described below, and Employee shall have no further obligations or duties to the Employer, except as provided in Section 7. In the event of such termination, the Employer shall pay the Employee an amount equal to 1.5 times the total Salary and bonus received by the Employee during the 12 months prior to the date of termination. All amounts payable to the Employee pursuant to this Section 6(e) shall be paid in one lump-sum payment payable immediately upon such termination, and all options granted to Employee shall vest.

(f) For purposes of this Agreement a "Change in Control" shall be deemed to occur upon the election of directors constituting a change in a majority of the Board.

7. Confidentiality; Noncompetition.

(a) The Employer and the Employee acknowledge that the services to be performed by the Employee under this Agreement are unique and extraordinary and, as a result of such employment, the Employee will be in possession of confidential information relating to the business practices of the Company. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company or any of its affiliates, or any of their respective activities, other than such information which can be shown by the Employee to be in the public domain (such information not being deemed to be in the public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this Section 7(a), including, but not limited to, information relating to: trade secrets, personnel lists, financial information, research projects, services used, pricing, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. The Employee agrees that he will not, during or for a period of two years after the termination of employment, directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any confidential information regarding the clients, customers or business practices of the Company acquired by the Employee during his employment by Employer, without the prior written consent of Employer; provided, however, that the Employee understands that Employee

will be prohibited from misappropriating any trade secret at any time during or after the termination of employment.

(b) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) years following such employment, directly or indirectly, within any county (or adjacent county) in any State within the United States or territory outside the United States in which the Company is engaged in business during the period of the Employee's employment or on the date of termination of the Employee's employment, engage, have an interest in or render any services to any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) competitive with the Company's business activities.

(c) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) years following such employment, directly or indirectly, take any action which constitutes an interference with or a disruption of any of the Company's business activities including, without limitation, the solicitations of the Company's customers, or persons listed on the personnel lists of the Company. At no time during the term of this Agreement, or thereafter shall the Employee directly or indirectly, disparage the commercial, business or financial reputation of the Company.

(d) For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs 7(b) and (c) above shall serve as a prohibition against him, during the period referred to therein, directly or indirectly, hiring, offering to hire, enticing, soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee or customer who has been previously contacted by either a representative of the Company, including the Employee, (but only those suppliers existing during the time of the Employee's employment by the Company, or at the termination of his employment), to discontinue or alter his, her or its relationship with the Company.

(e) Upon the termination of the Employee's employment for any reason whatsoever, all documents, records, notebooks, equipment, price lists, specifications, programs, customer and prospective customer lists and other materials which refer or relate to any aspect of the business of the Company which are in the possession of the Employee including all copies thereof, shall be promptly returned to the Company.

(f) (i) The Employee agrees that all processes, technologies and inventions ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by him

during his employment by Employer shall belong to the Company, provided that such Inventions grew out of the Employee's work with the Company are related in any manner to the business (commercial or experimental) of the Company or are conceived or made on the Company's time or with the use of the Company's facilities or materials. The Employee shall further: (a) promptly disclose such Inventions to the Company; (b) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship;

(ii) If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by the Employee within two years after the termination of his employment by the Company, it is to be presumed that the Invention was conceived or made during the period of the Employee's employment by the Company; and

(iii) The Employee agrees that he will not assert any rights to any Invention as having been made or acquired by him prior to the date of this Agreement, except for Inventions, if any, disclosed to the Company in writing prior to the date hereof.

(g) The Company shall be the sole owner of all products and proceeds of the Employee's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Employee may acquire, obtain, develop or create in connection with and during the term of the Employee's employment hereunder, free and clear of any claims by the Employee (or anyone claiming under the Employee) of any kind or character whatsoever (other than the Employee's right to receive payments hereunder). The Employee shall, at the request of the Company, execute such assignments, certificates or other instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend its right, or title and interest in or to any such properties.

(h) The parties hereto hereby acknowledge and agree that (i) the Company would be irreparably injured in the event of a breach by the Employee of any of his obligations under this Section 7, (ii) monetary damages would not be an adequate remedy for any such breach, and (iii) the Company shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach.

(i) The parties hereto hereby acknowledge that, in addition to any other remedies the Company may have under Section 7(h) hereof, the Company shall have the right and remedy to require the Employee to account for and pay over to the

Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Employee as the result of any transactions constituting a breach of any of the provisions of Section 7, and the Employee hereby agrees to account for any pay over such Benefits to the Company.

(j) Each of the rights and remedies enumerated in Section 7(h) and 7(i) shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(k) If any provision contained in this Section 7 is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions.

(l) If any provision contained in this Section 7 is found to be unenforceable by reason of the extent, duration or scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, scope or other provision and in its reduced form any such restriction shall thereafter be enforceable as contemplated hereby.

(m) It is the intent of the parties hereto that the covenants contained in this Section 7 shall be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought (the Employee hereby acknowledging that said restrictions are reasonably necessary for the protection of the Company). Accordingly, it is hereby agreed that if any of the provisions of this Section 7 shall be adjudicated to be invalid or unenforceable for any reason whatsoever, said provision shall be (only with respect to the operation thereof in the particular jurisdiction in which such adjudication is made) construed by limiting and reducing it so as to be enforceable to the extent permissible, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of said provision in any other jurisdiction.

8. General. This Agreement is further governed by the following provisions:

(a) Notices. All notices relating to this Agreement shall be in writing and shall be either personally delivered, sent by telecopy (receipt confirmed) or mailed by certified mail, return receipt requested, to be delivered at such address as is indicated below, or at such other address or to the attention of such other person as the recipient has specified by

prior written notice to the sending party. Notice shall be effective when so personally delivered, one business day after being sent by telecopy or five days after being mailed.

To the Employer:

Take Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attention: Ryan A. Brant

To the Employee:

Anthony R. Williams

With, in either case, a copy in the same manner to:

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attention: Kenneth Selterman, Esq.

(b) Parties in Interest. Employee may not delegate his duties or assign his rights hereunder. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

(c) Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto (including the letter agreement dated January 16, 1998) with respect to the employment of the Employee by the Employer and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. Any modification or termination of this Agreement will be effective only if it is in writing signed by the party to be charged.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Employee agrees to and hereby does submit to jurisdiction before any state or federal court of record in New York County or in the state and county in which such violation may occur, at Employer's election.

(e) Warranty. Employee hereby warrants and represents as follows:

(i) That the execution of this Agreement and the discharge of Employee's obligations hereunder will not breach or conflict with any other contract, agreement, or understanding between Employee and any other party or parties.

(ii) Employee has ideas, information and know-how relating to the type of business conducted by Employer, and Employee's disclosure of such ideas, information and know-how to Employer will not conflict with or violate the rights of any third party or parties.

(iii) Employee will not disclose any trade secrets relating to the business conducted by any previous employer and agrees to indemnify and hold Employer harmless for any liability arising out of Employee's use of any such trade secrets.

(f) Severability. In the event that any term or condition in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

(g) Execution in Counterparts. This Agreement may be executed by the parties in one or more counterparts, each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By:

Name: Ryan A. Brant
Title: Chief Executive Officer

Anthony R. Williams

EMPLOYMENT AGREEMENT

AGREEMENT dated as of January 29, 1999 between Take-Two Interactive Software, Inc., a Delaware corporation (the "Employer" or the "Company"), and Larry Muller (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer desires to employ the Employee as its Chief Financial Officer and to be assured of his services as such on the terms and conditions hereinafter set forth; and

WHEREAS, the Employee is willing to accept such employment on such terms and conditions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Employer and the Employee hereby agree as follows:

1. Term. Employer hereby agrees to employ Employee, and Employee hereby agrees to serve Employer for a three-year period commencing effective as of the date first written above (the "Effective Date") (such period being herein referred to as the "Initial Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year"). After the Initial Term, this Agreement shall be renewable automatically for successive one year periods (each such period being referred to as a "Renewal Term"), unless, more than ninety days prior to the expiration of the Initial Term or any Renewal Term, either the Employee or the Company give written notice that employment will not be renewed.

2. Employee Duties.

(a) During the term of this Agreement, the Employee shall have the duties and responsibilities of Chief Financial Officer of the Employer, reporting directly to the Chief Executive Officer of Employer and the Board of Directors of the Employer (the "Board"). It is understood that such duties and responsibilities shall be reasonably related to the Employee's position.

(b) The Employee shall devote substantially all of his business time, attention, knowledge and skills faithfully, diligently and to the best of his ability, in furtherance of the business and activities of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices although the Employee may be required to travel outside of the area where the Company's

principal executive offices are located in connection with the business of the Company.

3. Compensation.

(a) During the term of this Agreement, the Employer shall pay the Employee a salary (the "Salary") at a rate of $233,000 per annum in respect of each Employment Year, payable in equal installments bi-weekly, or at such other times as may mutually be agreed upon between the Employer and the Employee. Such Salary shall be subject to an annual review by the Board may be increased from time to time at the discretion of the Board.

(b) The Employee shall be paid a bonus equal to (i) options to purchase 20,000 shares of Common Stock in respect of each fiscal quarter during the twelve month period ending October 31, 1999 provided that net income per share in any such quarter exceeds the Company's net income per share in the comparable quarter for the prior year and (ii) $20,000 for each fiscal quarter commencing with the quarter ending January 31, 1999 provided that net income per share in any such quarter exceeds the Company's net income per share in the comparable quarter for the prior year. Any such options shall vest immediately following the end of each fiscal quarter and shall be exercisable during a five-year period at an exercise price equal to the fair market value of the Common Stock on the date of grant.

(c) The Employee has been granted incentive options to purchase 10,000 shares of Common Stock at an exercise price of $5.875 per share.

(d) The Employee shall be entitled to an automobile allowance of $1,400 per month, which allowance includes insurance, parking and gasoline.

(e) The Employee shall be entitled to receive $2 million in life insurance, the premiums for which shall be paid by the Company.

(f) In addition to the foregoing, the Employee shall be entitled to such other cash bonuses and such other compensation in the form of stock, stock options or other property or rights as may from time to time be awarded to him by the Board during or in respect of his employment hereunder.

4. Benefits.

(a) During the term of this Agreement, the Employee shall have the right to receive or participate in all benefits and plans which the Company may from time to time institute during such period for its employees and for which the Employee is eligible, and shall automatically receive or

participate in all benefits and plans that the Company's Chief Executive Officer receives or participates in. Nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary or any other obligation payable to the Employee pursuant to this Agreement.

(b) During the term of this Agreement, the Employee will be entitled to the number of paid holidays, personal days off, vacation days and sick leave days in each calendar year as are determined by the Company from time to time, provided that Employee shall be entitled to at least five weeks of paid vacation. Such vacation may be taken in the Employee's discretion with the prior approval of the Employee, and at such time or times as are not inconsistent with the reasonable business needs of the Company.

5. Travel Expenses. All travel and other expenses incident to the rendering of services reasonably incurred on behalf of the Company by the Employee during the term of this Agreement shall be paid by the Employer provided that such expenses are preapproved by the Chief Executive Officer of the Company. If any such expenses are paid in the first instance by the Employee, the Employer shall reimburse him therefor on presentation of appropriate receipts for any such expenses.

6. Termination. Notwithstanding the provisions of Section 1 hereof, the Employee's employment with the Employer may be earlier terminated as follows:

(a) By action taken by the Board, the Employee may be discharged for cause (as hereinafter defined), effective as of such time as the Board shall determine. Upon discharge of the Employee pursuant to this Section 6(a), the Employer shall have no further obligation or duties to the Employee, and the Employee shall have no further obligations or duties to the Employer, except as provided in Section 7.

(b) In the event of (i) the death of the Employee or (ii) by action of the Board and the inability of the Employee, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 180 consecutive days, during which 180 day period Salary and any other benefits hereunder shall not be suspended or diminished. Upon any termination of the Employee's employment under this Section 6(b), the Employer shall have no further obligations or duties to the Employee.

(c) In the event that Employee's employment with the Employer is terminated by action taken by the Board without cause, including termination upon a Change in Control (as hereinafter defined), then the Employer shall have no further obligation or duties to Employee, except for payment of the

amounts described below, and Employee shall have no further obligations or duties to the Employer, except as provided in Section 7. In the event of such termination, the Employer shall continue to pay to the Employee his Salary, bonus and benefits during the 18 months following the date of termination. If such termination occurs upon a Change in Control, all amounts payable to the Employee pursuant to this Section 6(c) shall be paid in one lump-sum payment payable immediately upon such termination and all options granted to Employee pursuant to Section 3(c) shall vest.

(d) For purposes of Paragraph 6(c), a "Change in Control" shall be deemed to occur if Ryan A. Brant is no longer Chief Executive Officer of the Company.

(e) For purposes of this Agreement, the Company shall have "cause" to terminate the Employee's employment under this Agreement upon (i) the failure by the Employee to substantially perform his duties under this Agreement, (ii) the engaging by the Employee in criminal misconduct (including embezzlement and criminal fraud) which is materially injurious to the Company, monetarily or otherwise, (iii) the conviction of the Employee of a felony or (iv) gross negligence on the part of the Employee. The Company shall give written notice to the Employee, which notice shall specify the grounds for the proposed termination and the Employee shall be given thirty (30) days to cure if the grounds arise under clauses (i) or (v) above.

(f) Notwithstanding the foregoing, if Ryan A. Brant is no longer Chief Executive Officer of the Company as a result of a change of control of the Company, the Employee shall have the right to terminate his employment and receive 1.5 times the amount of his annual compensation.

7. Confidentiality; Noncompetition.

(a) The Employer and the Employee acknowledge that the services to be performed by the Employee under this Agreement are unique and extraordinary and, as a result of such employment, the Employee will be in possession of confidential information relating to the business practices of the Company. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company or any of its affiliates, or any of their respective activities, other than such information which can be shown by the Employee to be in the public domain (such information not being deemed to be in the public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this Section 7(a), including, but not limited to, information relating to: trade secrets, personnel lists, financial information, research projects, services used, pricing, customers, customer lists and prospects, product sourcing, marketing and selling and servicing.

The Employee agrees that he will not, during or for a period of two years after the termination of employment, directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any confidential information regarding the clients, customers or business practices of the Company acquired by the Employee during his employment by Employer, without the prior written consent of Employer; provided, however, that the Employee understands that Employee will be prohibited from misappropriating any trade secret at any time during or after the termination of employment.

(b) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) years following such employment, directly or indirectly, within any county (or adjacent county) in any State within the United States or territory outside the United States in which the Company is engaged in business during the period of the Employee's employment or on the date of termination of the Employee's employment, engage, have an interest in or render any services to any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) competitive with the Company's business activities.

(c) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) years following such employment, directly or indirectly, take any action which constitutes an interference with or a disruption of any of the Company's business activities including, without limitation, the solicitations of the Company's customers, or persons listed on the personnel lists of the Company. At no time during the term of this Agreement, or thereafter shall the Employee directly or indirectly, disparage the commercial, business or financial reputation of the Company.

(d) For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs 7(b) and (c) above shall serve as a prohibition against him, during the period referred to therein, directly or indirectly, hiring, offering to hire, enticing, soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee or customer who has been previously contacted by either a representative of the Company, including the Employee, (but only those suppliers existing during the time of the Employee's employment by the Company, or at the termination of his employment), to discontinue or alter his, her or its relationship with the Company.

(e) Upon the termination of the Employee's employment for any reason whatsoever, all documents, records, notebooks, equipment, price lists, specifications, programs, customer and prospective customer lists and other materials which

refer or relate to any aspect of the business of the Company which are in the possession of the Employee including all copies thereof, shall be promptly returned to the Company.

(f) (i) The Employee agrees that all processes, technologies and inventions ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by him during his employment by Employer shall belong to the Company, provided that such Inventions grew out of the Employee's work with the Company are related in any manner to the business (commercial or experimental) of the Company or are conceived or made on the Company's time or with the use of the Company's facilities or materials. The Employee shall further: (a) promptly disclose such Inventions to the Company; (b) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship;

(ii) If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by the Employee within two years after the termination of his employment by the Company, it is to be presumed that the Invention was conceived or made during the period of the Employee's employment by the Company; and

(iii) The Employee agrees that he will not assert any rights to any Invention as having been made or acquired by him prior to the date of this Agreement, except for Inventions, if any, disclosed to the Company in writing prior to the date hereof.

(g) The Company shall be the sole owner of all products and proceeds of the Employee's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Employee may acquire, obtain, develop or create in connection with and during the term of the Employee's employment hereunder, free and clear of any claims by the Employee (or anyone claiming under the Employee) of any kind or character whatsoever (other than the Employee's right to receive payments hereunder). The Employee shall, at the request of the Company, execute such assignments, certificates or other instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend its right, or title and interest in or to any such properties.

(h) The parties hereto hereby acknowledge and agree that (i) the Company would be irreparably injured in the event of a breach by the Employee of any of his obligations under this Section 7, (ii) monetary damages would not be an adequate

remedy for any such breach, and (iii) the Company shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach.

(i) The parties hereto hereby acknowledge that, in addition to any other remedies the Company may have under Section 7(h) hereof, the Company shall have the right and remedy to require the Employee to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Employee as the result of any transactions constituting a breach of any of the provisions of Section 7, and the Employee hereby agrees to account for any pay over such Benefits to the Company.

(j) Each of the rights and remedies enumerated in Section 7(h) and 7(i) shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(k) If any provision contained in this Section 7 is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions.

(l) If any provision contained in this Section 7 is found to be unenforceable by reason of the extent, duration or scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, scope or other provision and in its reduced form any such restriction shall thereafter be enforceable as contemplated hereby.

(m) It is the intent of the parties hereto that the covenants contained in this Section 7 shall be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought (the Employee hereby acknowledging that said restrictions are reasonably necessary for the protection of the Company). Accordingly, it is hereby agreed that if any of the provisions of this Section 7 shall be adjudicated to be invalid or unenforceable for any reason whatsoever, said provision shall be (only with respect to the operation thereof in the particular jurisdiction in which such adjudication is made) construed by limiting and reducing it so as to be enforceable to the extent permissible, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of said provision in any other jurisdiction.

8. General. This Agreement is further governed by the following provisions:

(a) Notices. All notices relating to this Agreement shall be in writing and shall be either personally delivered, sent by telecopy (receipt confirmed) or mailed by certified mail, return receipt requested, to be delivered at such address as is indicated below, or at such other address or to the attention of such other person as the recipient has specified by prior written notice to the sending party. Notice shall be effective when so personally delivered, one business day after being sent by telecopy or five days after being mailed.

To the Employer:

Take Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attention: Ryan A. Brant

To the Employee:

Larry Muller

With, in either case, a copy in the same manner to:

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attention: Kenneth Selterman, Esq.

(b) Parties in Interest. Employee may not delegate his duties or assign his rights hereunder. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

(c) Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto (including the letter agreement dated January 16, 1998) with respect to the employment of the Employee by the Employer and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. Any modification or termination of this Agreement will be effective only if it is in writing signed by the party to be charged.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Employee agrees to and hereby does submit to jurisdiction before any state or federal court of record in New

York County or in the state and county in which such violation may occur, at Employer's election.

(e) Warranty. Employee hereby warrants and represents as follows:

(i) That the execution of this Agreement and the discharge of Employee's obligations hereunder will not breach or conflict with any other contract, agreement, or understanding between Employee and any other party or parties.

(ii) Employee has ideas, information and know-how relating to the type of business conducted by Employer, and Employee's disclosure of such ideas, information and know-how to Employer will not conflict with or violate the rights of any third party or parties.

(iii) Employee will not disclose any trade secrets relating to the business conducted by any previous employer and agrees to indemnify and hold Employer harmless for any liability arising out of Employee's use of any such trade secrets.

(f) Severability. In the event that any term or condition in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

(g) Execution in Counterparts. This Agreement may be executed by the parties in one or more counterparts, each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chief Executive Officer

/s/ Larry Muller

Larry Muller

EXHIBIT 21.1

Subsidiaries of the Company

Name	Jurisdiction of Incorporation
GearHead Entertainment, Inc.	Pennsylvania
Mission Studios, Inc.	Illinois
Alternative Reality Technologies, Inc.	Florida
Take-Two Interactive Software Europe Limited	United Kingdom
Goldweb Services (1)	United Kingdom
Take-Two Interactive France F.A. (2)	France
Take-Two Interactive GMBH (2)	Germany
Inventory Management Systems, Inc.	Delaware
Jack of All Games, Inc. (3)	New York
DirectSoft Australia Pty. Limited	New South Wales, Australia
Talonsoft, Inc.	Delaware
L.D.A. Distribution Limited	United Kingdom
Joytech Europe Limited (4)	United Kingdom
Falcon Ventures Corporation (d/b/a DVDWave.com)	California
Funsoft Nordic A.S.	Norway
Jack Of All Games Norway (5)	Norway
Jack Of All Games Sweden (5)	Sweden
Jack Of All Games Denmark (5)	Denmark

(1) Subsidiary of Take-Two Interactive Software Europe Limited
(2) Subsidiary of Goldweb Services
(3) Subsidiary of Inventory Management Systems, Inc.
(4) Subsidiary of L.D.A. Distribution Limited
(5) Subsidiary of Funsoft Nordic A.S.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 of our report dated December 21, 1998, on our audits of the financial statements and financial statement schedule of Take-Two Interactive Software, Inc. We also consent to the reference to our firm under the caption "Experts."

PricewaterhouseCoopers LLP

New York, NY
April 7, 1999

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement on Form S-1 of Take-Two Interactive Software, Inc. of our report dated February 26, 1998, relating to our audit of the balance sheets of Jack of All Games, Inc. as of December 31, 1997 and 1996, and related statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 1997. We also consent to the reference to our firm under the caption "Experts."

Aronowitz, Chaiken & Hardesty

Cincinnati, Ohio
April 7, 1999