SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): December 22, 1998

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

Delaware	0-29230	51-0350842
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

575 Broadway, New York, New York	10012
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212)941-2988

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

Item 5. Other Events

Acquisition of Talonsoft, Inc.

In December 1998, we acquired all of the outstanding capital stock of Talonsoft, Inc. ("Talonsoft"), a corporation engaged in the business of developing software games. We issued an aggregate of 1,033,336 shares of Common Stock to the shareholders of Talonsoft, granted certain registration rights with respect to 258,334 of such shares and entered into employment agreements with John Davidson and James Rose, former shareholders of Talonsoft.

The source of the consideration paid was authorized but unissued shares of Common Stock, and the amount of consideration paid was determined by arm's-length negotiations.

Acquisition of L.D.A. Distribution Limited and Joytech Europe Limited

In February 1999, we acquired all of the outstanding capital stock of L.D.A. Distribution Limited ("LDA") and its subsidiary, Joytech Europe Limited, a company incorporated in the United Kingdom. We paid (pound)200,000 and issued 580,000 shares of Common Stock, subject to decrease under certain circumstances. We granted certain registration rights with respect to 270,000 shares.

The source of the consideration paid was cash on hand and authorized but unissued shares of Common Stock. The amount of consideration paid was determined

by arm's-length negotiations.

Purchase of Partnership Interest in Gathering of Developers I, Ltd.

In February 1999, we purchased a 19.9% class A limited partnership interest in Gathering of Developers I, Ltd. ("Gathering"). We agreed to make a capital contribution to Gathering in the aggregate amount of $4 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 their interests, exercisable on two separate occasions during the six-month periods ending April 30, 2001 and 2002. 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.

Distribution Agreement with Gathering

In February 1999, we entered into a distribution agreement (the "Agreement") with Gathering of Developers I, Ltd. ("Gathering") amending our May 1998 agreement with Gathering. Gathering 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 to any console port of any product 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.

The agreement obligates us to pay Gathering recoupable advances of $12,500,000. The agreement is terminable by us 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.

Loan Agreement

In February 1999, Jack of All Games, Inc. ("Jack"), our wholly-owned subsidiary, entered into a line of credit agreement with NationsBank, N.A. ("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 (i) the borrowing limit in effect at the time (i.e., $35,000,000 or $45,000,000) or (ii) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at NationsBank's prime rate plus .5% and is payable monthly. Borrowings under the line of credit are secured by all of Jack's accounts, inventory, equipment, general intangibles, securities and other personal property. 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.

Item 7(c) Exhibits.

Exhibit 1 - Agreement and Plan of Merger dated December 22, 1998 among the Company, the Subsidiary, Talonsoft and the shareholders of Talonsoft.

Exhibit 2 - Agreement for the Sale and Purchase of Share Capital dated February 3, 1999 between the Company and the shareholders of LDA.

Exhibit 3 - Securities Purchase Agreement dated February 8, 1999 by and among the Company T2 Developer, Inc., Gathering of Developers, Inc., Gathering and the limited partners of Gathering.

Exhibit 4 - Option Agreement dated February 8, 1999 between the Company, T2 Developer, Inc., Gathering, Gathering of Developers, Inc., and the limited partners of Gathering.

Exhibit 5 - Amended Distribution Agreement, dated as of February 8, 1999, by and between the Company and Gathering, PopTop Software, Inc., Terminal Reality, Inc., and Apogee Software, Inc./3D Realms.

Exhibit 6 - 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.

SIGNATURES

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

Dated: February 23, 1999

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

AGREEMENT AND PLAN OF MERGER

by and among

TAKE-TWO INTERACTIVE SOFTWARE, INC.,
(a Delaware corporation)

TALONSOFT, INC.,
(a Delaware corporation)

TALONSOFT, INC.,
(a Maryland corporation)

JOHN DAVIDSON,

GRETA DAVIDSON,

JAMES ROSE,

and

BARBARA ROSE

- ---

December 22, 1998

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of December 22, 1998 (the "Agreement"), among Take-Two Interactive Software, Inc., a Delaware corporation ("TTIS"); Talonsoft, Inc., a Delaware corporation and a wholly-owned subsidiary of TTIS ("Subsidiary"); Talonsoft, Inc., a Maryland corporation ("Talonsoft"); John Davidson ("John"), Greta Davidson ("Greta"), James Rose ("James") and Barbara Rose ("Barbara"). John, Greta, James and Barbara are sometimes referred to as the "Shareholders."

W I T N E S S E T H :

WHEREAS, Talonsoft is in the business of developing and publishing computer software (the "Business"); and

WHEREAS, TTIS desires to acquire all of the outstanding capital stock of Talonsoft; and

WHEREAS, the Board of Directors of TTIS, the Board of Directors of Subsidiary, TTIS as the sole shareholder of Subsidiary, and the Board of Directors of Talonsoft and the Shareholders have: (a) determined that it is in the best interests of their respective companies for Talonsoft to to be merged with and into the Subsidiary upon the terms and subject to the conditions set forth herein; and (b) approved the merger of Talonsoft with and into the Subsidiary (the "Merger") in accordance with the Delaware General Corporation Law of the State of Delaware ("Delaware Law") and the General Corporation Law of the State of Maryland ("Maryland Law"), and upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto do hereby agree as follows:

1. The Merger.

1.1. The Merger. At the Effective Date (as defined in Subsection 1.2), and subject to and upon the terms and conditions of this Agreement, Delaware Law and Maryland Law, Talonsoft shall be merged with and into the Subsidiary, the separate corporate existence of Talonsoft shall cease, and the Subsidiary shall continue as the surviving corporation, operating as a wholly-owned subsidiary of TTIS. The Subsidiary, as the surviving corporation after the Merger, is hereinafter sometimes referred to as the "Surviving Corporation."

1.2. Effective Date. As promptly as practicable after the satisfaction or waiver of the conditions set forth in Section 6, unless this Agreement shall have been terminated and the transactions contemplated herein shall have been abandoned pursuant to Section 8.1, Subsidiary and Talonsoft shall cause the Merger to be consummated by filing a Certificate of Merger (the "Certificate of Merger") with the Secretaries of State of the States of Delaware and Maryland in the form of Exhibit A and making such other filings as may be required by the Delaware Law and the Maryland Law, in such form as required by and executed in accordance with such laws (the time of the last of such filings to be made being the "Effective Date").

1.3. Effect of the Merger. At the Effective Date, the effect of the Merger shall be as provided in the applicable provisions of Delaware Law and Maryland Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Date, all the rights, privileges, powers, franchises and all property (real, personal and mixed) of Talonsoft and all debts due Talonsoft shall vest in the Subsidiary, and all debts, liabilities, obligations and duties of Talonsoft shall become the debts, liabilities, obligations and duties of the Subsidiary.

1.4. Certificate of Incorporation; By-Laws.

(a) The Certificate of Incorporation of the Subsidiary, as in effect immediately prior to the Effective Date (annexed hereto as Exhibit B), as amended to provide for a name change to Talonsoft, Inc., shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law or such Certificate of Incorporation.

(b) The By-Laws of the Subsidiary, as in effect immediately prior to the Effective Date (annexed hereto as Exhibit C), shall be the By-Laws of the Surviving Corporation until thereafter amended as provided by law or by the Certificate of Incorporation of the Surviving Corporation or the By-Laws of the Surviving Corporation.

1.5. Directors and Officers of Surviving Corporation.

(a) Ryan Brant, Anthony Williams and Barbara Ras, the directors of the Subsidiary, and John Davidson, shall, at the Effective Date, be the duly appointed directors of the Surviving Corporation, to hold office in accordance with applicable law, the Certificate of Incorporation and By-Laws of the Surviving Corporation until resignation, removal or replacement.

(b) Each of John Davidson and James Rose shall, at the Effective Date, be duly nominated and appointed as

Chief Executive Officer and President, respectively, of the Surviving Corporation, and shall constitute the initial officers of the Surviving Corporation, in each case to serve at the pleasure of the Board of Directors of the Surviving Corporation until their respective resignation, removal or placement.

1.6. Conversion of Securities. At the Effective Date, by virtue of the Merger and without any action on the part of TTIS, Subsidiary, Talonsoft or the Shareholders:

(a) The outstanding shares of Talonsoft Common Stock (as defined in Section 2.2 hereof) shall be converted into an aggregate of 1,033,336 shares of Common Stock, $.01 par value per share, of TTIS ("TTIS Common Stock") (hereafter referred to as the "Share Consideration"), to be distributed to the Shareholders, pro rata, as set forth in Schedule 1.6(a).

(b) Any warrant or option convertible or exchangeable into Talonsoft Common Stock shall be cancelled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(c) Each share of the common stock, par value $.01 per share, of the Subsidiary issued and outstanding at the Effective Date shall remain outstanding and unchanged.

(d) From and after the Effective Date, the holders of certificates evidencing ownership of shares of Talonsoft Common Stock shall cease to have any rights with respect to the shares of Talonsoft Common Stock.

(e) No fractional shares of TTIS Common Stock shall be issued in connection with the Merger.

2. Representations and Warranties as to Talonsoft. Each of the Shareholders and Talonsoft, jointly and severally, represents and warrants to TTIS and Subsidiary as follows:

2.1. Organization, Standing and Power. Talonsoft is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland, with full corporate power and corporate authority to (i) own, lease and operate its properties, (ii) carry on the Business as currently conducted by it and (iii) execute and deliver, and perform its obligations under this Agreement and each other agreement and instrument to be executed and delivered by it pursuant hereto. Except as set forth on Schedule 2.1, there are no states or jurisdictions in which the character and location of any of the properties owned or leased by Talonsoft, or the conduct of the Business makes it necessary for Talonsoft to qualify to do business as a foreign corporation. True and complete copies of the Certificate of Incorporation of Talonsoft and all amendments

thereof, and of the By-Laws of Talonsoft, as amended to date, have heretofore been furnished to TTIS. Talonsoft's minute books contain complete and accurate records of all meetings and other corporate actions of Talonsoft's stockholders and Board of Directors (including committees of its Board of Directors).

2.2. Capitalization. (a) The authorized capital stock of Talonsoft consists of: 1000 shares of common stock, par value $1.00 per share (the "Talonsoft Common Stock"), of which 100 shares of Talonsoft Common Stock are outstanding. All of the Talonsoft Common Stock is duly authorized, validly issued, fully paid and nonassessable. Schedule 2.2 sets forth a true and complete list of the holders of all outstanding shares of Talonsoft Common Stock, and the holders of all outstanding options and warrants issued by Talonsoft, which shares, options and warrants are held by them in the amounts set forth on Schedule 2.2. Except as contemplated by the Merger and except as set forth on Schedule 2.2, there are no options, warrants or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of Talonsoft or obligating Talonsoft to issue or sell any shares of capital stock of or other equity interests in Talonsoft. There is no personal liability, and there are no preemptive rights with regard to the capital stock of Talonsoft, and no right-of-first refusal or similar catch-up rights with regard to such capital stock. Except as set forth on Schedule 2.2 and except for the transactions contemplated by this Agreement, there are no outstanding contractual obligations or other commitments or arrangements of Talonsoft to (A) repurchase, redeem or otherwise acquire any shares of Talonsoft Common Stock (or any interest therein) or (B) to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any other entity, or (C) issue or distribute to any person any capital stock of Talonsoft, or (D) issue or distribute to holders of any of the capital stock of Talonsoft any evidences of indebtedness or assets of Talonsoft. All of the outstanding securities of Talonsoft have been issued and sold by Talonsoft in full compliance with applicable federal and state securities laws.

2.3. Ownership of Talonsoft Common Stock. The Shareholders have good and marketable title to all of the issued and outstanding shares of Talonsoft Common Stock, free and clear of any and all liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever ("Liens"), and on the Closing Date (as defined in Section 7 hereof) will own all of the Talonsoft Common Stock, free and clear of any and all Liens, including, but not limited to, any claims by any present or former stockholders of Talonsoft.

2.4. Interests in Other Entities.

(a) Schedule 2.4 sets forth a true and complete list of all direct or indirect subsidiaries of Talonsoft, together with the jurisdiction of incorporation of each such subsidiary and the percentage of each such subsidiary's outstanding capital stock owned by Talonsoft.

(b) None of the Shareholders (individually or jointly) own, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any other corporation engaged in the same or similar business to that business engaged in by Talonsoft at the Effective Date (other than not more than one percent (1%) of the publicly-traded capital stock of corporations engaged in such business held solely for investment purposes); (i) have any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity engaged in the same or similar business to that business engaged in by Talonsoft at the Effective Date; and (ii) have any obligation, direct or indirect, present or contingent, (A) to purchase or subscribe for any interest in, advance or loan monies to, or in any way make investments in, any other person or entity engaged in the same or similar business to that business engaged in by Talonsoft at the Effective Date, or (B) to share any profits or capital investments or both from a entity engaged in the same or similar business to that business engaged in by Talonsoft at the Effective Date.

2.5. Authority. The execution and delivery by Talonsoft of this Agreement and of all of the agreements to be executed and delivered by Talonsoft pursuant hereto (collectively, the "Talonsoft Documents"), the performance by Talonsoft of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of Talonsoft (including, but not limited to, the unanimous consents of the Board of Directors of Talonsoft and of the Shareholders) and Talonsoft has all necessary corporate power and corporate authority with respect thereto. The Shareholders are individuals having all necessary capacity, power and authority to execute and deliver this Agreement and such other agreements to be executed and delivered by either of them pursuant hereto (collectively, the "Shareholder Documents") and to consummate the transactions contemplated hereby and thereby. This Agreement is, and when executed and delivered by Talonsoft and the Shareholders, each of the other agreements to be delivered by either or both of them pursuant hereto will be, the valid and binding obligations of Talonsoft and the Shareholders, to the extent they are parties thereto, in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and subject to the

rules of law governing (and all limitations on) specific performance, injunctive relief, and other equitable remedies.

2.6. Noncontravention. Except as set forth on Schedule 2.6, neither the execution and delivery by Talonsoft or the Shareholders of this Agreement or of any other Talonsoft Documents or Shareholder Documents to be executed and delivered by either or both of them, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by either or both of them of any of their respective obligations hereunder or thereunder, will (nor with the giving of notice or the lapse of time or both would) (a) conflict with or result in a breach of any provision of the Certificate of Incorporation, ByLaws or other constituent documents of Talonsoft, each as amended to date, or (b) give rise to a default, or any right of termination, cancellation or acceleration, or otherwise be in conflict with or result in a loss of contractual benefits to any of them, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which either or both of them is a party or by which either or both of them or any of their respective assets may be bound, or require any consent, approval or notice under the terms of any such document or instrument, or (c) violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental authority which is applicable to either or both of them, or (d) result in the creation or imposition of any lien, adverse claim, restriction, charge or encumbrance upon any of the assets of Talonsoft (the "Assets") or the Talonsoft Common Stock, or (e) interfere with or otherwise adversely affect the ability of Talonsoft to carry on the Business after the Effective Date on substantially the same basis as is now conducted by Talonsoft.

2.7. Financial Statements. Talonsoft has heretofore delivered to each of TTIS and Subsidiary (a) its financial statements consisting of the unaudited balance sheets at December 31, 1995, 1996 and 1997, and the related statements of income and stockholders' equity for the three years then ended, which have been compiled by S.E. Smith & Company, LLP, independent certified public accountants, and (b) its unaudited balance sheet at September 30, 1998 (the "Balance Sheet") statements of income and stockholders' equity for the nine months ended September 30, 1998 (collectively, the "Talonsoft Financial Statements"). The Talonsoft Financial Statements were prepared in accordance with generally accepted accounting principles ("GAAP"), consistently applied, and present fairly the financial position of Talonsoft as at the dates thereof and the results of operations for the periods and the cash flow indicated. The books and records of Talonsoft are complete and correct, have been maintained in accordance with good business practices, and accurately reflect the basis for the financial condition, results of operations and cash flow of Talonsoft as set forth in the Talonsoft Financial Statements.

2.8. Absence of Undisclosed Liabilities. Talonsoft has no liabilities or obligations of any nature whatsoever, whether accrued, matured, unmatured, absolute, contingent, direct or indirect or otherwise, which have not been (a) in the case of liabilities and obligations of a type customarily reflected on a corporate balance sheet, prepared in accordance with GAAP, set forth on the Balance Sheet, or (b) incurred in the ordinary course of business since September 30, 1998, or (c) in the case of other types of liabilities and obligations, described in Schedule 2.8, or (d) incurred, consistent with past practice, in the ordinary course of business of Talonsoft (in the case of liabilities and obligations of the type referred to in clause (a) above).

2.9. Guaranties. Schedule 2.9 hereto is a complete and accurate list and summary description of all written guaranties currently in effect heretofore issued by the Shareholders to any bank or other lender in connection with any credit facilities extended by such creditors to Talonsoft or issued by the Shareholders in connection with any other contracts or agreements (collectively, the "Guaranties"), including the name of such creditor and the amount of the indebtedness, together with any interest and fees currently owing and expected to be outstanding as of the Effective Date.

2.10. Accounts and Notes Receivable/Inventories.

(a) Schedule 2.10 hereto is a complete and accurate list of the accounts and notes receivable as of October 30, 1998, which are good and collectible in the ordinary course of business at the aggregate recorded amounts thereof, less the respective amount of the allowances for doubtful accounts and notes receivable, if any, reflected thereon, and are not subject to offsets other than in the ordinary course of business. The accounts and notes receivable of Talonsoft which were added after October 30, 1998 are good and collectible in the ordinary course of business, less the respective amount of the allowances for doubtful accounts and notes receivable, if any, reflected thereon (which allowances were established on a basis consistent with prior practice), and are not subject to offsets.

(b) The inventories reflected on the Balance Sheet consist of items of a quality and quantity usable or saleable in the ordinary course of business, except for obsolete materials, slow-moving items, materials of below standard quality and not readily marketable items, all of which have been (i) written down to net realizable value or (ii) adequately reserved against on the books and records of Talonsoft. All inventories are stated at the lower of cost or market.

2.11. Absence of Changes. Since September 30, 1998, there have not been (a) any adverse change (other than as is normal in the ordinary course of business) in the condition

(financial or otherwise), assets, liabilities, business, prospects, results of operations or cash flows of Talonsoft (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (b) any waivers by Talonsoft of any right, or cancellation of any debt or claim, of substantial value, (c) any declarations, set asides or payments of any dividend or other distributions or payments in respect of the Talonsoft Common Stock, or (d) any changes in the accounting principles or methods which are utilized by Talonsoft.

2.12. Litigation. Except as set forth in Schedule 2.12, there are no claims, suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best knowledge of Talonsoft and the Shareholders, threatened, against or relating to Talonsoft or the Shareholders, the transactions contemplated hereby or any of the Assets. There are no judgments, orders, stipulations, injunctions, decrees or awards in effect which relate to Talonsoft, this Agreement, the transactions contemplated, the Business or any of the Assets, the effect of which is (a) to limit, restrict, regulate, enjoin or prohibit any business practice of Talonsoft in any area, or the acquisition by Talonsoft of any properties, assets or businesses, or (b) otherwise materially adverse to the Business, any of the Assets or Talonsoft Common Stock.

2.13. No Violation of Law. Talonsoft is not engaging in any activity or omitting to take any action as a result of which it is in violation of any law, rule, regulation, zoning or other ordinance, statute, order, injunction or decree, or any other requirement of any court or governmental or administrative body or agency, applicable to Talonsoft, the Business or any of the Assets, including, but not limited to, those relating to: occupational safety and health matters; issues of environmental and ecological protection (e.g., the use, storage, handling, transport or disposal of pollutants, contaminants or hazardous or toxic materials or wastes, and the exposure of persons thereto); business practices and operations; labor practices; employee benefits; and zoning and other land use laws and regulations.

2.14. Properties. All plants, structures and equipment which are utilized in the Business, or are material to the condition (financial or otherwise) of Talonsoft are owned or leased by Talonsoft, are free and clear of all Liens, are in good operating condition and repair (ordinary wear and tear excepted), and are adequate and suitable for the purposes for which they are used. Schedule 2.14 sets forth all (a) real property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by Talonsoft, or which is subject to a title retention or conditional sales agreement or other security

device, and (b) tangible personal property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by Talonsoft.

2.15. Intangibles/Inventions. Schedule 2.15 identifies (by a summary description) the Intangibles (as defined below) the ownership thereof and, if applicable, Talonsoft's authority for use of the same, which Schedule is complete and correct and encompasses: (A) all United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part or used by Talonsoft, and all applications therefor (collectively, the "Marks"), (B) all inventions, discoveries, improvements, processes, formulae, technology, know-how, processes and other intellectual property, proprietary rights and trade secrets relating to the Business (collectively, the "Inventions") and (C) all licenses and other agreements to which Talonsoft is a party or otherwise bound which relate to any of the Intangibles or the Inventions or Talonsoft's use thereof in connection with the Business (collectively, the "Licenses, and together with the Marks and the Inventions, the "Intangibles"). No violations of the terms of any of the aforesaid licenses and/or agreements have occurred. Except as disclosed on Schedule 2.15, (A) Talonsoft owns or is authorized to use in connection with the Business all of the Intangibles; (B) no proceedings have been instituted, are pending, or to the best knowledge of Talonsoft and the Shareholders, are threatened which challenge the rights of Talonsoft with respect to the Intangibles or its use thereof in connection with the Business and/or the Assets or the validity thereof and, there is no valid basis for any such proceedings; (C) neither Talonsoft's ownership of the Intangibles nor their use thereof in connection with the Business and/or the Assets violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; (D) none of the Intangibles, or Talonsoft's use thereof in connection with the Business and/or the Assets is subject to any outstanding order, decree, judgment, stipulation or any lien, security interest or other encumbrance; and (E) Talonsoft has not granted any license to third parties with regard to its Intangibles.

2.16. Systems and Software. Talonsoft owns or has the right to use pursuant to lease, license, sublicense, agreement, or permission all computer hardware, software and information systems necessary for the operation of its business as presently conducted (collectively, "Systems"). Each System owned or used by Talonsoft immediately prior to the Effective Date will be owned or available for use by Talonsoft on identical terms and conditions immediately subsequent to the Effective Date. With respect to each System owned by a third party and

used by Talonsoft pursuant to lease, license, sublicense, agreement or permission: (a) the lease, license, sublicense, agreement or permission covering the System is legal, valid, binding, enforceable, and in full force and effect; (b) the lease, license, sublicense, agreement or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the Effective Date; (c) no party to any such lease, license, sublicense, agreement or permission is in breach or default, and no event has occurred which with notice or lapse of time would constitute a breach or default, and permit termination, modification or acceleration thereunder; (d) no party to any such lease, license, sublicense, agreement or permission has repudiated any provision thereof; (e) Talonsoft has not granted any sublicense, sublease or similar right with respect to any such lease, license, sublicense, agreement or permission; (f) Talonsoft's use and continued use of such Systems does not and will not interfere with, infringe upon, misappropriate, or otherwise come into conflict with, any intellectual property rights of third parties as a result of the continued operation of the Business.

2.17. Tax Matters.

(a) Talonsoft has filed with the appropriate governmental agencies all tax returns and reports required to be filed by it, and has paid in full or contested in good faith or made adequate provision for the payment of, Taxes (as defined herein) shown to be due or claimed to be due on such tax returns and reports. The provisions for Taxes which are set forth on the Balance Sheet are adequate for all accrued and unpaid taxes of Talonsoft as of September 30, 1998, whether (i) incurred in respect of or measured by income of Talonsoft for any periods prior to the close of business on that date, or (ii) arising out of transactions entered into, or any state of facts existing, on or prior to such date. Talonsoft has duly withheld all payroll taxes, FICA and other federal, state and local taxes and other items requiring to be withheld by it from employer wages, and has duly deposited the same in trust for or paid over to the proper taxing authorities. Talonsoft has not executed or filed with any taxing authority any agreement extending the periods for the assessment or collection of any Taxes, and is not a party to any pending or, to the best knowledge of Talonsoft and the Shareholders, threatened, action or proceeding by any governmental authority for the assessment or collection of Taxes. Within the past three years, the United States federal income tax returns of Talonsoft have not been examined by the Internal Revenue Service ("the IRS"), nor has any states taxing authority examined any merchandize, personal property, sales or use tax returns of Talonsoft.

(b) Talonsoft (i) has not agreed to or been required to make any adjustment pursuant to Section 481(a) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) has

no knowledge that the IRS or any other taxing authority has proposed any such adjustment or change in accounting method, and (iii) has no application pending with any governmental authority requesting permission for any change in accounting method.

(c) As used herein, the term "Taxes" means all federal, state, county, local and other taxes and governmental assessments, including but not limited to income taxes, estimated taxes, withholding taxes, excise taxes, ad valorem taxes, payroll related taxes (including but not limited to premiums for worker's compensation insurance and statutory disability insurance), employment taxes, franchise taxes and import duties, together with any related liabilities, penalties, fines, additions to tax or interest.

2.18. Insurance. Schedule 2.18 is a complete and correct list and summary description of all contracts and policies of insurance relating to any of the Assets, the Business or the Shareholders in which Talonsoft is an insured party, beneficiary or loss payable payee. Such policies are in full force and effect, all premiums due and payable with respect thereto have been paid, and no notice of cancellation or termination has been received by Talonsoft with respect to any such policy.

2.19. Banks; Powers of Attorney. Schedule 2.19 is a complete and correct list showing (a) the names of each bank in which Talonsoft has an account or safe deposit box and the names of all persons authorized to draw thereon or who have access thereto, and (b) the names of all persons, if any, holding powers of attorney from Talonsoft.

2.20. Employee Arrangements. Schedule 2.20 is a complete and correct list and summary description of all (a) union, collective bargaining, employment, management, termination and consulting agreements to which Talonsoft is a party or otherwise bound, and (b) compensation plans and arrangements; bonus and incentive plans and arrangements; deferred compensation plans and arrangements; pension and retirement plans and arrangements; profit-sharing and thrift plans and arrangements; stock purchase and stock option plans and arrangements; hospitalization and other life, health or disability insurance or reimbursement programs; holiday, sick leave, severance, vacation, tuition reimbursement, personal loan and product purchase discount policies and arrangements; and other plans or arrangements providing for benefits for employees of Talonsoft. Said Schedule also lists the names and compensation of all employees of Talonsoft whose earnings during the last fiscal year were $10,000 or more (including bonuses and other incentive compensation), and all employees who are expected to receive at least said amount in respect of the current fiscal year.

2.21. ERISA. Talonsoft neither maintains nor is obligated to contribute to an "employee pension benefit plan" as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Talonsoft "welfare benefit plan", as such term is defined in Section 3(1) of ERISA.

2.22. Environmental Matters. Talonsoft has obtained and is in compliance with the terms and conditions of all required permits, licenses, registrations and other authorizations required under Environmental Laws (as hereinafter defined). No asbestos in a friable condition, equipment containing polychlorinated biphenyls, leaking underground or above-ground storage tanks are contained in or located at any facility currently, or was contained or located at any facility previously owned, leased or controlled by Talonsoft. Talonsoft has not released, discharged or disposed of on, under or about any facility currently or previously owned, leased or controlled by Talonsoft, any Hazardous Substance (as hereinafter defined), and to the best knowledge of Talonsoft and the Shareholders, no third party has released, discharged or disposed of on, under or about any facility currently or previously owned, leased or controlled by Talonsoft, and Hazardous Substances (as hereinafter defined). Talonsoft is in compliance with all applicable Environmental Laws. Talonsoft has fully disclosed to TTIS all past and present noncompliance with, or liability under, Environmental Laws, and all past discharges, emissions, leaks, releases or disposals by it of any substance or waste regulated under or defined by Environmental Laws that have formed or could reasonably be expected to form the basis of any claim, action, suit, proceeding, hearing or investigation under any applicable Environmental Laws. Talonsoft has not received notice of any past or present events, conditions, circumstances, activities, practices, incidents, actions or plans of Talonsoft that have resulted in or threaten to result in any common law or legal liability, or otherwise form the basis of any claim, action, suit, proceeding, hearing or investigation under, any applicable Environmental Laws. For purposes of this Section 2.22, (a) "Environmental Laws: mean applicable federal, state, local and foreign laws, regulations and codes relating in any respect to pollution or protection of the environment and (b) "Hazardous Substances" means any toxic, caustic or otherwise dangerous substance (whether or not regulated under federal, state or local environmental statutes, rules, ordinances, or orders), including (i) "hazardous substance" as defined in 42 U.S.C. Section 9601, and (ii) petroleum products, derivatives, byproducts and other hydrocarbons.

2.23. Business Practices and Commitments. Set forth on Schedule 2.23 is a description of and a list and the amount of all of Talonsoft's outstanding obligations with respect to (i) Talonsoft's rebate and volume discount practice and obligations, (ii) Talonsoft's allowance and customer return

practice and obligations, (iii) Talonsoft's co-op advertising and other promotional practices, and (iv) Talonsoft's warranty practice and obligations as each of the foregoing relate to the customers and suppliers of Talonsoft.

2.24. Certain Business Matters. Except as is set forth in Schedule 2.24, (a) Talonsoft is not a party to or bound by any development, publishing, distributorship, dealership, sales agency, franchise or similar agreement which relates to the development, sale or distribution of any of the products and services of the Business, (b) Talonsoft has no sole-source supplier of significant goods or services (other than utilities) with respect to which practical alternative sources are not available on comparable terms and conditions, (c) there are no pending or, to the best knowledge of Talonsoft and the Shareholders, threatened labor negotiations, work stoppages or work slowdowns involving or affecting the Business, and no union representation questions exist, and there are no organizing activities, in respect of any of the employees of Talonsoft, (d) the product and service warranties given by Talonsoft or by which it is bound (complete and correct copies or descriptions of which have heretofore been delivered by Talonsoft to TTIS) entail no greater obligations than are customary in the Business, (e) neither Talonsoft nor the Shareholders is a party to or bound by any agreement which limits its or his, as the case may be, freedom to compete in any line of business or with any person, or which is otherwise materially burdensome to Talonsoft or the Shareholders, and (f) Talonsoft is not a party to or bound by any agreement in which any officer, director or stockholder of Talonsoft (or any affiliate of any such person) has, or had when made, a direct or indirect material interest. Talonsoft has not granted any overlapping or conflicting rights to third parties with respect to any of its agreements.

2.25. Certain Contracts. Schedule 2.25 is a complete and correct list of all material contracts, commitments, obligations and understandings which are not set forth in any other Schedule delivered hereunder and to which Talonsoft is a party or otherwise bound, except for (a) purchase orders from vendors or customers and (b) each of those which (i) were made in the ordinary course of business and (ii) either (A) are terminable by Talonsoft (and will be terminable by Talonsoft) without liability, expense or other obligation on 30 days' notice or less, or (B) may be anticipated to involve aggregate payments to or by Talonsoft of $5,000 (or the equivalent) or less calculated over the full term thereof, and (C) are not otherwise material to the Business. Complete and correct copies of all contracts, commitments, obligations and undertakings set forth on any of the Schedules delivered pursuant to this Agreement have been furnished by Talonsoft to TTIS. Except as expressly stated on any of such Schedules, (1) each of agreements listed on Schedule 2.25 is in full force and effect, no person or entity which is a party thereto or otherwise bound thereby is in

material default thereunder, and no event, occurrence, condition or act exists which does (or which with the giving of notice or the lapse of time or both would) give rise to a material default or right of cancellation, acceleration or loss of contractual benefits thereunder; (2) there has been no threatened cancellations thereof, and there are no outstanding disputes thereunder; (3) none of them is materially burdensome to Talonsoft; and (4) each of them is fully assignable without the consent, approval, order or any waiver by, or any other action of or with any individual or individuals, without the payment of any penalty, the incurrence of any additional debt, liability or obligation of any nature whatsoever or the change of any term.

2.26. Customers and Suppliers. Schedule 2.26 sets forth a complete and correct list, as of September 30, 1998, of (a) the 20 largest customers of the Business and the amount for which each such customer was invoiced, and (b) the 20 largest suppliers (including developers) of the Business and the amount of goods and services purchased from each such supplier. There are no (i) threatened cancellations by the aforesaid customers or suppliers with respect to the Business, (ii) outstanding disputes by such customers or suppliers with Talonsoft and the Business, or (iii) any adverse changes in the business relationship between the Business and any such customer or supplier. The aforesaid suppliers and customers will continue their respective relationships with the Business after the Closing Date on substantially the same basis as now exists.

2.27. Approvals/Consents. Except as set forth on Schedule 2.27, Talonsoft currently holds all governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises which are necessary for the operation of the Business, all of which are in full force and effect and are transferable pursuant to the transaction contemplated hereby without the payment of any penalty, the incurrence of any additional debt, liability or obligation of any nature whatsoever or the change of any term. Schedule 2.27 is a complete and correct list of all such governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises. No material violations of the terms thereof have heretofore occurred or are known by the Shareholders to exist as of the date of this Agreement.

2.28. Information as to Talonsoft. None of the representations or warranties made by the Shareholders in this Agreement is, or contained in any of the Talonsoft Documents to be executed and delivered hereto will be, false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein contained not misleading.

2.29. Pooling of Interests. Each of the parties hereto intends that the Merger be accounted for under the pooling

of interests methods under the requirements of APB No. 16 of the AICPA, as amended by the SFAS Board and the related interpretations of the AICPA, the SFAS Board and the rules and regulations of the Securities and Exchange Commission. Neither Talonsoft nor the Shareholders has, through the date of this Agreement, taken or agreed to take any action which would impair the ability of Talonsoft to account for the business combination to be effected by the Merger as a pooling of interests. Except as set forth on Schedule 2.29:

(a) Neither Talonsoft nor the Shareholders own or will have, since the date two years prior to the Effective Date, owned any shares of TTIS Common Stock, nor shall Talonsoft have been a subsidiary or a division of another entity since the date two years prior to the Effective Date, except that John Davidson owns 2,000 shares of TTIS Common Stock.

(b) Talonsoft has no equity investments or rights to purchase equity investments of any kind in TTIS other than as pursuant to this Agreement and the other agreements referenced herein; and

(c) Talonsoft has not disposed of a significant amount of assets other than in the ordinary course of business since the date two years prior to the Effective Date.

The equity transactions and the capital stock transactions for Talonsoft and for each Shareholder since the date two years prior to the date hereof are set forth on Schedule 2.29.

2.30. Securities Act Representation. Each Shareholder is acquiring the TTIS Common Stock solely for investment purposes, with no intention of distributing or reselling any such stock or any interest therein. Each Shareholder is aware that the TTIS Common Stock will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and that neither the TTIS Common Stock nor any interest therein may be sold, pledged, or otherwise transferred unless the TTIS Common Stock is registered under the Securities Act or qualifies for an exemption under the Securities Act.

3. Representations and Warranties as to TTIS and Subsidiary. TTIS and Subsidiary, jointly and severally, represent and warrant to Talonsoft and the Shareholders as follows:

3.1. Organization, Standing and Power. Each of TTIS and Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and Delaware, the laws of the jurisdiction of its respective incorporation, with full corporate power and corporate authority to (i) own, lease and operate its properties, (ii)

carry on its business as currently conducted by it and (iii) execute and deliver, and perform under this Agreement and each other agreement and instrument to be executed and delivered by it pursuant hereto.

3.2. Interests in Other Entities. Schedule 3.2 sets forth a true and complete list of all direct or indirect subsidiaries of TTIS (other than the Subsidiary) that are material to the financial condition of TTIS and its subsidiaries, together with the jurisdiction of incorporation of each such subsidiary and the percentage of each such subsidiary's outstanding capital stock owned by TTIS or another of TTIS's subsidiaries. Each of such subsidiaries are duly organized corporations, validly existing and in good standing under the laws of the jurisdiction of its respective incorporation (as well as all applicable foreign jurisdictions necessary to its business operations) and have the requisite corporate power and authority and governmental authority to own, operate or lease the properties that each purports to own, operate or lease and to carry on its business as it is now being conducted.

3.3. Capitalization.

(a) The authorized capital stock of TTIS consists of 50,000,000 shares of TTIS Common Stock and 5,317,000 shares of Preferred Stock, par value $.01 per share. As of the date hereof, (i) 17,038,636 shares of TTIS Common Stock are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable, (ii) 2,810,284 (net of forfeitures) shares of TTIS Common Stock are issuable upon exercise of options (plan and non-plan) and (iii) 913,164 shares of TTIS Common Stock are reserved for future issuance upon exercise of outstanding common stock purchase warrants. No shares of Preferred Stock are outstanding.

(b) The outstanding shares of capital stock of each of the subsidiaries of TTIS, including the Subsidiary, are duly authorized, validly issued, fully paid and nonassessable, and, except as set forth on Schedule 3.3, such shares are owned by TTIS, directly or indirectly, free and clear of all security interests, liens, adverse claims, pledges, agreements, limitations on TTIS's voting rights, charges and other encumbrances of any nature whatsoever. Except as noted on Schedule 3.3, there are no options, warrants or similar right outstanding with respect to shares of capital stock of the Subsidiary.

3.4. Authority. The execution and delivery by TTIS and Subsidiary of this Agreement and of each agreement to be executed and delivered by either of them pursuant hereto (collectively, the "TTIS Documents"), the performance by each of them of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby,

have been duly and validly authorized by all necessary corporate action on the part of TTIS and Subsidiary, and TTIS and Subsidiary have all necessary corporate power and corporate authority with respect thereto. This Agreement is, and when executed and delivered by TTIS and Subsidiary each other TTIS Document will be, the valid and binding obligation of TTIS or Subsidiary, as the case may be to the extent it is a party thereto, in accordance with the respective terms, thereof, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and subject to the rules of law governing (and all limitations on) specific performance, injunctive relief, and other equitable remedies.

3.5. Securities and Exchange Commission Filings; Financial Statements.

(a) TTIS has filed on EDGAR all forms, reports, statements and documents required to be filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"), each of which has complied in form in all material respects with the applicable requirements of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, each as in effect on the date so filed. None of such reports (including but not limited to any financial statements or schedules included or incorporated by reference therein) filed by TTIS, when filed (except to the extent revised or superseded by a subsequent filing with the SEC) contained any untrue statement of a material fact.

(b) Each of the consolidated financial statements contained in the SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may otherwise be indicated in the notes thereto) and each presents fairly, in all material respects, the consolidated financial position of TTIS and its subsidiaries as at the respective dates thereof and the consolidated results of its operations and cash flow position for the periods indicated.

(c) Except as and to the extent set forth on the balance sheet of TTIS and its subsidiaries as at July 31, 1998, including the notes thereto, and TTIS and its subsidiaries taken as a whole, do not have any liabilities or obligations, whether or not accrued, contingent or otherwise, that would be required to be included on a balance sheet prepared in accordance with GAAP, except for liabilities or obligations incurred in the ordinary course of business since July 31, 1998, none of which would, individually or in the aggregate, have a material adverse effect on the financial condition, or results of the operations or cash flows of TTIS and its subsidiaries, on a consolidated basis.

3.6. Stock Issuable in Merger. The Share Consideration, when issued, will be duly authorized and validly issued, fully paid and non-assessable, will be delivered hereunder free and clear of any liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, except that the shares of TTIS Common Stock constituting the Share Consideration will be "restricted securities", as such term is defined in the rules and regulations of the SEC promulgated under the Securities Act, and will be subject to restrictions on transfers pursuant to such rules and regulations.

3.7. Absence of Changes. Since July 31, 1998, there have not been (a) any material adverse change (other than as is normal in the ordinary course of business, in the condition (financial or otherwise), assets, liabilities, business, prospects, results of operations or cash flows of TTIS and Subsidiary (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (b) any waivers by TTIS or Subsidiary of any right, or cancellation of any debt or claim, of substantial value, (c) any declarations, set asides or payments of any dividend or other distributions or payments in respect of the TTIS Common Stock, or (d) any changes in the accounting principles or methods which are utilized by TTIS or Subsidiary.

3.8. Information as to TTIS and Subsidiary. None of the representations or warranties made by TTIS or Subsidiary in this Agreement, or contained in any of the TTIS Documents, to be executed and delivered hereto, is or will be, false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein contained not misleading.

4. Indemnification.

4.1. Indemnification by Talonsoft and the Shareholders. Each of Talonsoft (before the Effective Date) and the Shareholders, jointly and severally, hereby indemnifies and agrees to defend and hold harmless each of TTIS and Subsidiary from and against any and all losses, obligations, deficiencies, liabilities, claims, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto) which either of them may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection any misrepresentation of a fact contained in any representation of Talonsoft and/or the Shareholders contained in, or the breach by Talonsoft, or the Shareholders of any warranty or covenant made by any one or all of them in, any Talonsoft Document and/or any Shareholder Document. The foregoing indemnification shall

also apply to direct claims by TTIS and/or Subsidiary against the Shareholders.

4.2. Indemnification by TTIS and Subsidiary. Each of TTIS and Subsidiary, jointly and severally, indemnifies and agrees to defend and hold harmless each of Talonsoft (before the Effective Date) and the Shareholders from and against any and all losses, obligations, deficiencies, liabilities, claims, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto), which it or he may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with any misrepresentation of a fact contained in any representation of TTIS and/or Subsidiary contained in, or the breach by TTIS or Subsidiary of any warranty or covenant made by either or both of them in, any TTIS Document. The foregoing indemnification shall also apply to direct claims by Talonsoft or the Shareholders against TTIS and/or Subsidiary.

4.3. Third Party Claims. If a claim by a third party is made against any party or parties hereto and the party or parties against whom said claim is made intends to seek indemnification with respect thereto under Subsections 4.1 or 4.2, the party or parties seeking such indemnification shall promptly notify the indemnifying party or parties, in writing, of such claim; provided, however, that the failure to give such notice shall not affect the rights of the indemnified party or parties hereunder except to the extent that such failure materially and adversely affects the indemnifying party or parties due to the inability to timely defend such action. The indemnifying party or parties shall have 10 business days after said notice is given to elect, by written notice given to the indemnified party or parties, to undertake, conduct and control, through counsel of their own choosing (subject to the consent of the indemnified party or parties, such consent not to be unreasonably withheld) and at their sole risk and expense, the good faith settlement or defense of such claim, and the indemnified party or parties shall cooperate with the indemnifying parties in connection therewith; provided: (a) all settlements require the prior reasonable consultation with the indemnified party and the prior written consent of the indemnified party, which consent shall not be unreasonably withheld, and (b) the indemnified party or parties shall be entitled to participate in such settlement or defense through counsel chosen by the indemnified party or parties, provided that the fees and expenses of such counsel shall be borne by the indemnified party or parties. So long as the indemnifying party or parties are contesting any such claim in good faith, the indemnified party or parties shall not pay or settle any such claim; provided, however, that notwithstanding the foregoing, the indemnified party or parties shall have the right to pay or

settle any such claim at any time, provided that in such event they shall waive any right of indemnification therefor by the indemnifying party or parties. If the indemnifying party or parties do not make a timely election to undertake the good faith defense or settlement of the claim as aforesaid, or if the indemnifying parties fail to proceed with the good faith defense or settlement of the matter after making such election, then, in either such event, the indemnified party or parties shall have the right to contest, settle or compromise (provided that all settlements or compromises require the prior reasonable consultation with the indemnifying party and the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld) the claim at their exclusive discretion, at the risk and expense of the indemnifying parties.

4.4. Limitation. In no event shall the maximum liability of the Shareholders under Section 4 exceed the Share Consideration.

4.5. Assistance. Regardless of which party is controlling the defense of any claim, each party shall act in good faith and shall provide reasonable documents and cooperation to the party handling the defense.

5. Covenants

5.1. Investigation.

(a) Between the date hereof and the Closing Date, TTIS and/or Subsidiary, on the one hand, and Talonsoft and the Shareholders, on the other hand, may, directly and through their representatives, make such investigation of each other corporate party and their respective businesses and assets of the other corporate party or parties as each deems necessary or advisable (the entity and/or its representatives making such investigation being the "Investigating Party"), but such investigation shall not affect any of the representations and warranties contained herein or in any instrument or document delivered pursuant hereto. In furtherance of the foregoing, the Investigating Party shall have reasonable access, during normal business hours after the date hereof, to all properties, books, contracts, commitments and records of each other, and shall furnish to the other and their representatives such financial and operating data and other information as may from time to time be reasonably requested relating to the transactions contemplated by this Agreement. Each of TTIS and Subsidiary, on the one hand, and Talonsoft and the Shareholders, on the other, and the respective management, employees, accountants and attorneys of the corporate parties shall cooperate fully with the Investigating Party in connection with such investigation.

(b) The parties hereto hereby agree that all confidential information of a party to which an Investigating

Party obtains access shall be deemed "Confidential Information." As used in this Section, the term "Confidential Information" shall mean any and all information (verbal and written) relating to the Business, including, but not limited to, information relating to: identity and description of goods and services used; purchasing; costs; pricing; sources; machinery and equipment; technology; research, test procedures and results; customers and prospects; marketing; and selling and servicing;

(c) After the Effective Date each of the Shareholders agrees not to, at any time, directly or indirectly, use, communicate, disclose or disseminate any Confidential Information in any manner whatsoever except such disclosures which are necessary to comply with their duties as officers of the Surviving Corporation.

5.2. [Intentionally Omitted]

5.3. Consummation of Transaction. Each of the parties hereto hereby agrees to use its best efforts to cause all conditions precedent to his or its obligations (and to the obligations of the other parties hereto to consummate the transactions contemplated hereby) to be satisfied, including, but not limited to, using all reasonable efforts to obtain all required (if so required by this Agreement) consents, waivers, amendments, modifications, approvals, authorizations, novations and licenses; provided, however, that nothing herein contained shall be deemed to modify any of the absolute obligations imposed upon any of the parties hereto under this Agreement or any agreement executed and delivered pursuant hereto.

5.4. Cooperation/Further Assurances.

(a) Each of the parties hereto hereby agrees to fully cooperate with the other parties hereto in preparing and filing any notices, applications, reports and other instruments and documents which are required by, or which are desirable in the reasonable opinion of any of the parties hereto, or their respective legal counsel, in respect of, any statute, rule, regulation or order of any governmental or administrative body in connection with the transactions contemplated by this Agreement.

(b) Each of the parties hereto hereby further agrees to execute, acknowledge, deliver, file and/or record, or cause such other parties to the extent permitted by law to execute, acknowledge, deliver, file and/or record such other documents as may be required by this Agreement and as TTIS and/or Subsidiary, on the one hand, and/or Talonsoft and/or the Shareholders, on the other, or their respective legal counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement.

5.5. Accuracy of Representations. Each party hereto agrees that prior to the Effective Date he or it will enter into no transaction and take no action, and will use his or its best efforts to prevent the occurrence of any event (but excluding events which occur in the ordinary course of business and events over which such party has no control), which would result in any of his or its representations, warranties or covenants contained in this Agreement or in any agreement, document or instrument executed and delivered by him or it pursuant hereto not to be true and correct, or not to be performed as contemplated, at and as of the time immediately after the occurrence of such transaction or event.

5.6. Notification of Certain Matters. Talonsoft and the Shareholders shall give prompt notice to TTIS and Subsidiary, and TTIS or Subsidiary shall give prompt notice to Talonsoft and the Shareholders, as the case may be, of (a) the occurrence, or nonoccurrence, or any event the occurrence, or nonoccurrence, of which would be likely to cause any representation contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Date and (b) any material failure of Talonsoft and/or the Shareholders, on the one hand, and of TTIS and/or Subsidiary, on the other, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by him or it hereunder; provided, however, that the delivery of any notice pursuant to this Subsection 5.6 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.7. Broker. Each of TTIS, Subsidiary, Talonsoft, and the Shareholders represents and warrants to the other parties that no broker or finder was engaged or dealt with in connection with any of the transactions contemplated by this Agreement other than Bengur Bryan & Company, Inc. ("Bengur Bryan"), and each of the parties shall indemnify and hold the other harmless from and against any and all claims or liabilities asserted by or on behalf of any alleged broker or finder other than Bengur Bryan for broker's fees, finder's fees, commissions or like payments.

5.8. No Solicitation of Transactions. Prior to the earlier of the Effective Date or the termination of this Agreement, neither Talonsoft nor any of the Shareholders will, directly or indirectly, through any director, officer, employee, investment banker, financial advisor, attorney, accountant or other agent or representative of Talonsoft otherwise, solicit, initiate or encourage the submission of proposals or offers from any person relating to any acquisition or purchase of all or (other than in the ordinary course of business) any portion of the Talonsoft Common Stock, Assets or Business of, or any equity interest in, Talonsoft, or any business combination with Talonsoft (other than the Merger contemplated hereby) and other than with TTIS and/or Subsidiary, participate in any negotiations

regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing. Talonsoft and the Shareholders shall immediately cease and cause to be terminated any existing discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing (other than in respect of the transaction contemplated hereby). Talonsoft and the Shareholders shall promptly notify TTIS if any such proposal or offer, or any inquiry or contact with any person with respect thereto, is made and shall, in any such notice to TTIS, indicate in reasonable detail the identity of the offeror and the terms and conditions of any proposal or offer.

5.9. Prohibited Conduct. Each of Talonsoft and the Shareholders, jointly and severally, covenants and agrees that, during the period from the date hereof to the Effective Date, except pursuant to the terms hereof or unless TTIS shall otherwise agree in writing, the Business shall be conducted only, and Talonsoft shall not take any action except, in the ordinary course of business and in a manner consistent with past practice and in compliance with applicable laws; and Talonsoft shall use its best efforts to preserve intact its Assets, the Business and the business organization of Talonsoft, to keep available the services of the present officers, employees and consultants of Talonsoft, and to preserve the present relationships of Talonsoft with customers, suppliers and other persons with whom Talonsoft has business relations. By way of illustration, and not limitation, neither Talonsoft nor the Shareholders shall, between the date of this Agreement and the Effective Date, directly or indirectly, do or propose or commit to do, any of the following without the prior written consent of TTIS:

(a) (i) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of the Talonsoft Common Stock, or (ii) split, combine or reclassify any of the Talonsoft Common Stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of the Talonsoft Common Stock, or otherwise;

(b) authorize for issuance, issue, deliver, sell or agree to commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise), pledge or otherwise encumber, any shares of Talonsoft Common Stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities convertible securities or any other securities or equity equivalents;

(c) (i) increase the compensation payable or to become payable to any officer, director, employees or consultant of Talonsoft, except pursuant to the terms of contracts, policies or benefit arrangements in effect on the date hereof, or (ii) grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer, other employee or consultant of Talonsoft, except pursuant to the terms of contracts, policies and benefit arrangements in effect on the date hereof, or (iii) establish, adopt, enter into or amend any collective bargaining (other than in accordance with past practice), bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any directors, officers, employees or consultants of Talonsoft;

(d) amend the Certificate of Incorporation, By-Laws or other comparable charter or organizational documents of Talonsoft or alter through merger, liquidation, reorganization, restructuring, or in any other fashion, the corporate structure or ownership of Talonsoft;

(e) acquire, or agree to acquire, (i) by merging or consolidating with, or by purchasing a substantial portion of the stock or assets of, or by any other manner, any business or corporation, partnership, joint venture, association or other business organization or division thereof, or (ii) any assets that are material, individually or in the aggregate, to Talonsoft, except purchases consistent with past practice;

(f) sell, lease, license, mortgage or otherwise encumber or subject to any lien, security interest, pledge or encumbrance or otherwise dispose of any of the Assets, except sales in the ordinary course of business consistent with past practice;

(g) permit Talonsoft to incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Talonsoft, guarantee any debt securities of another person, or enter into any arrangement having the economic effect of any of the foregoing, except for short-term borrowings incurred in the ordinary course of business consistent with past practice, or (ii) permit the Shareholders to issue any guaranties of any indebtedness of Talonsoft;

(h) except in the ordinary course of business, enter into any agreement, contract, commitment, involving a commitment on the part of Talonsoft to purchase, sell, lease or otherwise dispose of assets or require payment by Talonsoft in excess of $5,000;

(i) make any capital expenditures;

(j) adopt a plan of complete or partial liquidation of Talonsoft or resolutions providing for or authorizing such a liquidation or the dissolution, merger, consolidation, restructuring, recapitalization or reorganization of Talonsoft;

(k) cause Talonsoft to recognize any labor union (unless legally required to do so) or enter into or amend any collective bargaining agreement;

(l) change any accounting principles used by Talonsoft, unless required by the Financial Accounting Standards Board;

(m) make any tax election of, or settle, compromise any income tax liability of, or file any federal income tax return prior to the last day (including extensions) prescribed by law, in the case of any of the foregoing, material to the business, financial condition or results of the operations of Talonsoft;

(n) settle or compromise any litigation in which Talonsoft is a defendant (whether or not commenced prior to the date of this Agreement) or settle, pay or compromise any claims not required to be paid, which payments are individually in an amount in excess of $5,000 and in the aggregate in an amount in excess of $10,000; and

(o) authorize any of, or commit or agree to take any of, the foregoing actions.

5.10. Tax-Free Reorganization. Each of the parties hereto agree to use all reasonable efforts to cause the Merger to be treated as a reorganization within the meaning of Section 368(a) of the Code.

5.11. Pooling of Interests. Neither Talonsoft nor the Shareholders shall take any action which would affect the likelihood of treating, for financial reporting purposes, the Merger as a "pooling of interests."

5.12. Payment of Taxes Upon Merger. The Shareholders shall be responsible for, and shall pay, any and all sales, use, purchase, transfer and similar taxes (real estate or otherwise), and any and all filing, recording, registration and similar fees, arising out of the transfer of Talonsoft Common Stock pursuant to the Merger.

5.13. Stock Options. At the Effective Date, TTIS shall reserve an additional 100,000 shares of previously authorized TTIS Common Stock for the granting of stock options to

key employees of the Surviving Corporation after the Effective Date, as to be mutually determined by the Chief Executive Officer of the Surviving Corporation and the Compensation Committee of TTIS.

5.14. Employment Agreements. At the Effective Date, each of John Davidson and James Rose shall enter into an employment agreement with the Surviving Corporation in the form of Exhibits D and E hereto, respectively (the "Employment Agreements").

5.15. Registration Rights Agreement. At the Closing, TTIS shall enter into a registration rights agreement with the Shareholders, substantially in the form attached hereto as Exhibit F (the "Registration Rights Agreement"), with respect to a portion of the Share Consideration.

5.16. Business Plan. Talonsoft shall prepare a plan of operation mutually agreeable to the parties with respect to the combination of business operations of the Surviving Corporation and Alliance Inventory Management Systems, Inc., a wholly-owned subsidiary of TTIS. Any such plan of operation shall provide, in part, that Baltimore, Maryland shall be the principal place of business for the Surviving Corporation for the next four (4) years.

6. Conditions of Merger.

6.1. Conditions to Obligations of TTIS and Subsidiary to Effect the Merger. The respective obligations of TTIS and Subsidiary to effect the Merger shall be subject to the fulfillment at or prior to the Effective Date of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of each of Talonsoft and the Shareholders contained in any Shareholders Document or Talonsoft Document delivered by either or both of them shall have been true when made, and, in addition, shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(b) Performance of Agreements. Each of Talonsoft and the Shareholders, as the case may be, shall have performed, observed and complied in all material respects with all of their obligations, covenants and agreements, and shall have satisfied or fulfilled in all material respects conditions contained in any Shareholders Document or Talonsoft Document and required to be performed, observed or complied with, or to be satisfied or fulfilled, by Talonsoft or the Shareholders at or prior to the Effective Date.

(c) Results of Investigation. TTIS and Subsidiary shall be satisfied with the results of any investigation of the business and affairs of Talonsoft undertaken by them pursuant to Subsection 5.1 hereof, including, without limitation, satisfaction that the transaction would be "accretive" to the Earnings Per Share (fully diluted basis) of TTIS for the 1998 and 1999 fiscal years.

(d) Board Authorization. Approval by the Board of Directors and the shareholders of Talonsoft with respect to the execution and delivery of, and the performance by Talonsoft of its obligations under, this Agreement and the transactions contemplated hereunder.

(e) Pooling of Interests. TTSI shall have received confirmation from S.E. Smith & Company, LLP and PriceWaterhouseCoopers, LLP that the Merger will be treated, for financial reporting purposes, as a pooling of interests.

(f) Tax Free Reorganization. TTIS shall have received confirmation from each of S.E. Smith & Company, LLP and PriceWaterhouseCoopers, LLP, to the effect that the Merger will be treated for federal income tax purposes as a tax-free reorganization within the meaning of Section 368(a) of the Code.

(g) Affiliate Letters. TTIS shall have received a letter in substantially the form annexed hereto as Exhibit G from each of Talonsoft, its officers and directors, the holders of Talonsoft Common Stock (or other securities of Talonsoft) and any of its other "affiliates" within the meaning of Rule 145 of the Securities Act.

(h) Financing Arrangements. On or before the Closing, the lender(s) providing the financing arrangements with respect to on-going operations of Talonsoft (and the Surviving Corporation following the Merger) shall confirm that all conditions precedent to such financing have been complied with and satisfied in all respects and that Talonsoft (and the Surviving Corporation) shall have received sufficient funds thereunder to continue operating the Business subsequent to the Merger.

(i) Minimum Net Assets. Talonsoft shall have a tangible net worth of at least $900,000 as of the Closing Date.

(j) Opinion of Counsel for Talonsoft. TTIS and Subsidiary shall have received an opinion of Howard, Butler & Melfa, counsel for Talonsoft and the Shareholders, dated the Closing Date, in substantially the form of Exhibit H hereto.

(k) Litigation. No order of any court or administrative agency shall be in effect which restrains or

prohibits the transactions contemplated hereby, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with this Agreement or any of the transactions contemplated hereby, shall have been instituted or threatened by any person or entity, and which, in the reasonable judgment of TTIS (based on the likelihood of success and material consequences of such claim, suit, action, inquiry or proceeding), makes it inadvisable to proceed with the consummation of such transactions.

(l) Consents and Approvals. All consents, waivers, approvals, licenses and authorizations by third parties and governmental and administrative authorities (and all amendments or modifications to existing agreements with third parties) (the "Consents") including, without limitation, all Consents from the primary lending institutions of each of Talonsoft and TTIS, required as a precondition to the performance by Talonsoft and the Shareholders of their respective obligations hereunder and under any agreement delivered pursuant hereto, or which in TTIS's reasonable judgment are necessary to continue unimpaired, subsequent to the Effective Date, any rights in and to the Assets and/or the Business which could be impaired by the Merger, shall have been duly obtained and shall be in full force and effect.

(m) Date of Consummation. The Merger shall have been consummated on or prior to December 31, 1998, or such later date as the parties shall agree by a written instrument signed by all of them.

(n) Validity of Transactions. The validity of all transactions contemplated hereby, as well as the form and substance of all agreements, instruments, opinions, certificates and other documents delivered by Talonsoft and the Shareholders pursuant hereto, shall be satisfactory in all material respects to TTIS and its counsel.

(o) No Material Adverse Change. Except as otherwise provided by this Agreement, there shall not have occurred after the date hereof, in the reasonable judgment of TTIS, a material adverse change in the financial or business condition of Talonsoft.

(p) Employment Agreements. Each of John Davidson and James Rose shall have executed and delivered their respective Employment Agreements.

(q) Closing Certificate. Each of the Shareholders shall have furnished TTIS and Subsidiary with certificates, all dated the Closing Date, to the effect that all the representations and warranties of Talonsoft and the Shareholders are true and complete and all covenants to be

performed by Talonsoft or the Shareholders at or as of the Closing have been performed and conditions to be satisfied at or as of the Closing have been waived or satisfied.

6.2. Conditions to Obligations of Talonsoft and the Shareholders to Effect the Merger. The obligations of Talonsoft and the Shareholders to effect the Merger shall be subject to the fulfillment at or prior to the Effective Date of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of TTIS and Subsidiary contained in any TTIS Documents delivered by either TTIS or Subsidiary or both of them shall have been true when made, and, in addition, shall be true in all material respects, on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(b) Performance of Agreements. Each of TTIS and Subsidiary shall have performed, observed and complied, in all material respects, with all obligations, covenants and agreements, and shall have satisfied or fulfilled in all material respects all conditions contained in any TTIS Document and required to be performed, observed or complied with, or satisfied or fulfilled, by either or both of them at or prior to the Closing Date.

(c) Board Authorization. Approval by the TTIS Board of the execution and delivery of, and the performance by TTIS of its obligations under, this Agreement and the transactions contemplated thereunder.

(d) Litigation. No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated hereby, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with this Agreement or any of the transactions contemplated hereby shall have been instituted or threatened by any person or entity, and which in the reasonable judgment of the Shareholders (based on the likelihood of success and material consequences of such claim, suit, action, inquiry or proceeding), makes it inadvisable to proceed with the consummation of such transactions.

(e) Consents and Approvals. All consents, waivers, approvals, licenses and authorizations by third parties and governmental and administrative authorities (and all amendments and modifications to existing agreements with third parties) required as a precondition to the performance by TTIS and Subsidiary of their respective obligations hereunder and under any agreement delivered pursuant hereto, shall have been duly obtained and shall be in full force and effect.

(f) Date of Consummation. The Merger shall have been consummated on or prior to December 31, 1998, or such later date as the parties shall agree by a written instrument signed by all of them.

(g) Validity of Transactions. The validity of all transactions contemplated hereby, as well as the form and substance of all agreements, instruments, opinions, certificates and other documents delivered by TTIS and Subsidiary pursuant hereto, shall be satisfactory in all material respects to the Shareholders and its counsel.

(h) Stock Options. TTIS shall have authorized the issuance of options to purchase up to an aggregate of 100,000 shares of the TTIS Common Stock to key employees of the Surviving Corporation.

(i) Employment Agreements. The Surviving Corporation shall have executed and delivered to each of John Davidson and James Rose their respective Employment Agreements.

(j) Registration Rights Agreement. TTIS shall have entered into the Registration Rights Agreement.

(k) Closing Certificate. Each of TTIS and Subsidiary shall have furnished Talonsoft with certificates, each executed by their respective presidents, dated the Closing Date, to the effect that all the representations and warranties of TTIS or Subsidiary, as the case may be, are true and complete in all material respects and all covenants to be performed by each of TTIS or Subsidiary, as the case may be, at or as of the Closing have been performed in all material respects and conditions to be satisfied at or as of the Closing have been waived or satisfied in all material respects.

7. The Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Section 8, the closing of the Merger (the "Closing") will take place at the offices of Tenzer Greenblatt LLP as promptly as practicable (and in any event within five business days) after satisfaction or waiver of the conditions set forth in Section 6 but in no event later than December 31, 1998 (the "Closing Date"); or such later date as shall have been fixed by a written instrument signed by the parties.

7.1. Deliveries by TTIS and Subsidiary at the Closing. At the Closing, TTIS and Subsidiary shall deliver the following:

(a) stock certificate(s), representing the Share Consideration registered in the names of the Shareholders;

(b) copies of (i) resolutions adopted by the TTIS Board authorizing TTIS to execute and deliver the TTIS Documents to which it is a party, to perform its obligations thereunder and to effect the Merger upon the terms and subject to the conditions set forth therein, and (ii) resolutions adopted by the board of directors of the Subsidiary, and the written consent of the sole shareholder, authorizing Subsidiary to execute and deliver the Subsidiary Documents to which it is a party, to perform its obligations thereunder and to effect the Merger upon the terms and subject to the conditions set forth therein, duly certified by the Secretaries or Assistant Secretaries of TTIS and the Subsidiary, respectively;

(c) certificates of the Secretary or Assistant Secretary of each of TTIS and Subsidiary certifying as to the incumbency and specimen signatures of the officers of TTIS and Subsidiary executing the TTIS Documents on behalf of such corporation;

(d) confirmation, in the form of satisfactory to the parties hereto, from the States of Delaware and Maryland that the Certificate of Merger of the Subsidiary with and into Talonsoft has been filed with such Secretaries of State; together with a copy of the executed form of such agreement;

(e) the Registration Rights Agreement duly executed by TTIS.

7.2. Deliveries by Talonsoft and/or the Shareholders at the Closing. At the Closing, Talonsoft and/or the Shareholders, as applicable, shall deliver to TTIS and/or Subsidiary, as the case may be, the following:

(a) stock certificate(s) representing the Talonsoft Common Stock, duly executed by the Shareholders;

(b) a copy of the resolutions of the Board of Directors of Talonsoft, and the written consent of the Shareholders, authorizing Talonsoft to execute and deliver the Talonsoft Documents, to perform its obligations thereunder and to effect the Merger upon the terms and conditions thereunder, duly certified by the Secretary or assistant Secretary of Talonsoft;

(c) certificates of the Secretary or Assistant Secretary of Talonsoft certifying as to the incumbency and specimen signatures of the officers of Talonsoft executing the Talonsoft Documents on behalf of such corporation;

(d) the Employment Agreements, duly executed by John Davidson and James Rose; and

(e) the Registration Rights Agreement duly executed by the Shareholders.

7.3. Other Deliveries. In addition, the parties shall execute and deliver such other documents as may be required by this Agreement and as either of them or their respective counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement.

8. Termination, Amendment and Waiver.

8.1. Termination. This Agreement may be terminated at any time prior to the Effective Date:

(a) By mutual consent of the Boards of Directors of TTIS, Subsidiary and Talonsoft; or

(b) By TTIS and Subsidiary, on the one hand, or Talonsoft and the Shareholders, on the other hand, if any of the conditions precedent with respect to the other party, as set forth in Sections 6.1 and 6.2, respectively, have not been satisfied or waived on or before the Effective Date.

(c) By TTIS and Subsidiary, on the one hand, or Talonsoft and the Shareholders, on the other hand, if (i) the Merger shall not have been consummated by December 31, 1998, or such later date as the parties shall have fixed by written instrument signed by the parties hereto; provided, however, that the right to terminate this Agreement under this Subsection shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Date to occur on or before such date or (ii) a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to vacate), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

(d) By TTIS and Subsidiary, on the one hand, or by Talonsoft and the Shareholders, on the other hand, if, in the reasonable judgment of TTIS and Subsidiary or Talonsoft and the Shareholders, as the case may be, (and provided such parties are not then in material breach of their respective obligations hereunder), it shall have been determined that the transaction contemplated by this Agreement has become inadvisable or impracticable by reason of the institution or threat by state, local or federal governmental authorities or by any other person of material litigation or proceedings against TTIS or Talonsoft.

(e) By TTIS and Subsidiary, on the one hand, or Talonsoft and the Shareholders, on the other hand, if, in the reasonable judgment of TTIS and Subsidiary or Talonsoft or the Shareholders, as the case may be (and provided such parties are not then in material breach of their respective obligations hereunder), it shall be determined that the business or assets or financial condition of the other unrelated corporate party hereto has been materially and adversely affected since September 30, 1998, whether by reason of changes, developments or operations in the normal course of business or otherwise.

8.2. Effect of Termination. In the event of the termination of this Agreement as provided in this Section 8, this Agreement shall, forthwith become null and void and there shall be no liability on the part of any party hereto and nothing herein shall relieve any party from liability for any wilful breach hereof. Such termination shall not, however, affect the obligations of the parties with respect to any Confidential Information in accordance with Section 5.1 hereof.

8.3. Fees and Expenses. TTIS and the Subsidiary shall bear all expenses in connection with the transactions contemplated hereby.

8.4. Waiver. At any time prior to the Effective Date, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby.

9. Survival of Representations and Warranties.

Each of the parties hereto hereby agrees that: (i) representations and warranties made by or on behalf of him or it in this Agreement or in any document or instrument delivered pursuant hereto with respect to tax matters, environmental compliance and ERISA matters shall survive the respective statutes of limitations for such matters; and (ii) all other representations or warranties made herein shall survive the Closing Date for a period of two (2) years after the Effective Date.

10. General Provisions.

10.1. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the earlier of the date delivered or mailed if delivered personally, by overnight courier or mailed by express, registered or certified mail (postage prepaid, return receipt requested) or by

facsimile transmittal, confirmed by express, certified or registered mail, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

If to TTIS or Subsidiary:	Take-Two Interactive Software, Inc. 575 Broadway New York, New York 10012 Attn: Ryan A. Brant Chief Executive Officer
with a copy to:	Tenzer Greenblatt LLP 405 Lexington Avenue New York, New York 10174 Attn: Kenneth Selterman, Esq.
If to Talonsoft or the Shareholders:	Talonsoft, Inc. White Marsh Business Center I Suite F 5020 Campbell Boulevard Baltimore, Maryland 21236 Attn: John Davidson Chief Financial Officer
with a copy to:	Howard Butler & Melfa P.A. 401 Allegheny Avenue Towson, Maryland 21204 Attn: William N. Butler, Esq.

10.2. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the greatest extent possible.

10.3. Entire Agreement. This Agreement and the agreements referred to herein constitute the entire agreement, and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

10.4. Amendment. This Agreement may not be amended except by an instrument in writing signed by each of the parties hereto.

10.5. No Assignment. This Agreement shall not be assigned by operation of law or otherwise, and any assignment shall be null and void.

10.6. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York without regard to its choice of law principles. Each of TTIS, Subsidiary, Talonsoft and the Shareholders hereby irrevocably and unconditionally consents to submit to the jurisdiction of the courts of the State of New York and of the United States located in the County of New York, State of New York for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in such courts and agrees not to plead or claim that such litigation brought in any such courts has been brought in an inconvenient forum.

10.7. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of Take-Two Interactive Software, Inc., Subsidiary, Talonsoft, Inc., by their respective officers thereunto duly authorized, the Shareholders, individually, have caused this Agreement to be executed as of the date first written above.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan A. Brant

Ryan A. Brant
Chief Executive Officer

TALONSOFT, INC. (Delaware)

By: /s/ Ryan A. Brant

Ryan A. Brant
President

TALONSOFT, INC. (Maryland)

By: /s/ John Davidson

Name: John Davidson
Title: Chief Financial Officer

/s/ John Davidson

JOHN DAVIDSON

/s/ Greta Davidson

GRETA DAVIDSON

/s/ James Rose

JAMES ROSE

/s/ Barbara Rose

BARBARA ROSE

DATED 1999

TAKE TWO INTERACTIVE SOFTWARE, INC

- and -

THE SELLERS

AGREEMENT
for the sale and purchase of
the share capital L.D.A.
Distribution Limited and such shares in the
capital of Joytech Limited not held by the
Company

HARBOTTLE & LEWIS
Hanover House
14 Hanover Square
London W1R 0BE

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THIS AGREEMENT is made on 1999

BETWEEN:

(1) The shareholders listed in Schedule 1 ("the Sellers");

(2) TAKE-TWO INTERACTIVE SOFTWARE, INC a Delaware company having its office at 575 Broadway, New York, New York 10012 ("the Buyer" which expression shall, where consistent with the context used and to the extent permitted, include its successors in title and assigns).

WHEREAS:

(A) The Sellers are and at Completion will be the legal and beneficial owners of the entire issued share capital of LDA and all of the issued share capital of Joytech not legally and beneficially owned by LDA.

(B) The particulars of the Company and the Subsidiaries are set out in Schedule 2.

(C) The Sellers have induced the Buyer to enter into this Agreement by the Sellers making the representations and agreeing to warrant and undertake in the terms of Clause 6 and Schedule 3 and the Buyer has induced the Sellers to enter into this Agreement by the Buyer agreeing to warrant and undertake to the Sellers in the terms of Clause 5.

IT IS AGREED as follows:-

1. Interpretation

1.1 In this Agreement and its Schedules the words and expressions defined in paragraph 1 of Schedule 9 shall, unless inconsistent with the context, have the meanings set out in such paragraph.

1.2 This Agreement and its Schedules will be construed and interpreted in accordance with Schedule 9.

1.3 The Schedules form part of this Agreement and will be of full force and effect as though expressly set out in the body of this Agreement.

1.4 References to any English legal term or concept (including without limitation any action, remedy, method of judicial procedure, legal document, statute, court, official or any other legal concept) will in respect of any jurisdiction other than England be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

2. Agreement for Sale

2.1 Subject to the terms of this Agreement each of the Sellers with full title guarantee shall sell to the Buyer and the Buyer shall purchase the Shares free from all options, claims and Security Interests with effect from Completion and together with all rights attached or accruing to them at Completion.

2.2 Each of the Sellers waives irrevocably any and all rights of pre-emption in respect of the sale and purchase of the Shares or any of them pursuant to Clause 2.1.

3. Consideration for Shares

3.1 Subject to Clause 3.4, the total consideration for the sale of the Shares shall be (i) the payment by the Buyer to the Sellers of (pound)200,000 (allocated in the proportions set out next to each of the Sellers names in Schedule 1) and payable in 10 equal monthly instalments beginning 5 days after Completion; and (ii) the issue by the Buyer to the Sellers (in the proportions set out next to each of the Seller's names in Schedule 1) of 580,000 unregistered shares par value $0.01 of the common stock of the Buyer (as may be adjusted in accordance with Clauses 3.4 to 3.7 below) (the "Consideration Shares") to be issued within 5 Business Days following final determination or agreement of the amount of the Net Asset Value (as defined below) provided that any Consideration Shares payable to Interactive Development shall be issued to an escrow agent (the "Escrow Agent") in accordance with an escrow agreement with regard to which the parties shall jointly approach six reputable institutions and shall accept the terms of such institutions as is closest to the form set out in Schedule 10 (subject to such institution accepting an obligation to sell the relevant shares on reasonable terms) (the "Escrow Agreement")to be entered into by the Buyer, Interactive Development and the Escrow Agent following final determination of any adjustment to the total consideration in accordance with Clause 3.4 to 3.7 below.

3.2 The proportion of the total consideration to which each Seller is entitled shall be that proportion set opposite such Seller's name in Schedule 1.

3.3 The Buyer shall be entitled to set off, or (pending the determination of the relevant amount) withhold any amounts payable by it after Completion to the Sellers (save for the (pound)200,000 payable in accordance with Clause 3.1(i)) against (a) the amount of any Bona Fide Claims by the Buyer under any Transaction Document and (b) any other sum due to the Buyer or its Associates by the Sellers or their Associates.

3.4 In the event that Net Asset Value (as defined below) is less than (pound)850,000 the number of Consideration Shares shall be 580,000 less such number ("X") calculated in accordance with the following formula:

$$X = \frac{(850{,}000 - \text{Net Asset Value (as defined below)})}{Y};$$

where;

Y = Completion Price converted into sterling at the Conversion Rate.

For the avoidance of doubt there shall be no adjustment to the number of Consideration Shares in the event that the Net Asset Value exceeds (pound)850,000.

3.5 For these purposes "Net Asset Value" shall mean the amount paid up or credited as paid up on the issued share capital of the Company plus the consolidated reserves of the Company and the other Group Companies plus the consolidated retained earnings of the Company and the other Group Companies (or less the amount standing to the debit of the consolidated profit and loss account of the Company and the Group Companies, as the case may be) less any amount included in the above which is attributable to minority interests, goodwill and/or other intangibles in each case as at the Completion Accounts Date and determined in accordance with this Clause 3.

3.6 For the purpose of establishing the amount of the Net Asset Value:-

3.6.1 The Sellers shall procure that as soon as practicable following Completion (and in any event within 30 days) draft Completion Accounts are prepared in accordance with the principles set out in Schedule 8 and (to the extent not inconsistent with such principles) all relevant SSAPs and generally accepted United Kingdom accountancy principles.

3.6.2 Forthwith following preparation of the draft Completion Accounts the Sellers shall deliver to the Buyer and to the Buyer's Accountants a copy of the draft Completion Accounts.

3.6.3 Following receipt of the draft Completion Accounts the Buyer and the Buyer's Accountants shall be entitled to examine these with a view to agreeing the calculation of the Net Asset Value. Such calculation of the Sellers' shall be final and binding upon the parties to this Agreement unless, prior to the expiry of 60 days following their delivery to the Buyer, the Buyer serves notice on the Sellers stating that it wishes to dispute the same giving (so far as practical and possible) its grounds for wishing to do so and incorporating any adjustment which the Buyer would wish to be made to the draft Completion Accounts and its (or the Buyer's Accountants') own calculation of the Net Asset Value.

3.6.4 If a dispute is raised by the Buyer as to the draft Completion Accounts or the Net Asset Value, and such dispute is not settled by agreement between the Buyer and the Sellers within 30 days after the Buyer notifies the Sellers of the dispute pursuant to sub-Clause 3.6.3 above, then either the Sellers or the Buyer may instruct an independent firm of chartered accountants (the "Independent Accountants") (acting as experts and not as arbitrators) appointed by agreement or in default of agreement by the President of the Institute of Chartered Accountants of England and Wales to determine the dispute in question within 30 days of such instruction and the determination of such firm (whose costs shall be borne as such firm shall direct or (in default of direction) equally by the Buyer on

the one hand and the Sellers on the other hand) shall (in the absence of fraud or manifest error) be final and binding on the parties in all circumstances and:

(a) each of the parties shall on request promptly supply to the Sellers' Accountants, the Buyer's Accountants and the Independent Accountants (as appropriate) all such assistance, documents and information as they may respectively require for the purpose of the determination pursuant to Clause 3.6.4 as appropriate and the parties shall use all reasonable endeavours to procure the due and prompt determination; and

(b) for the avoidance of doubt, the provisions of Clause 7 and the Disclosure Letter shall in no way affect the adjustment to the number of the Consideration Shares pursuant to Clause 3.4 - 3.7.

3.7 Within five Business Days following final determination or agreement of the amount of the Net Asset Value, the Buyer shall in accordance with Clause 3.1 issue to the Sellers (or to the Escrow Agent as the case may be) the Consideration Shares as may be adjusted in accordance with Clause 3.5 provided that, where there shall be a dispute as to the Net Asset Value and the amount disputed is a specific amount, the number of Consideration Shares that would therefore be unaffected by the final determination shall be issued as soon as reasonably practicable following the establishing of the maximum difference of opinion between the Sellers and the Buyer as to the Net Asset Value.

3.8 The Buyer, Lee Guinchard and David Gillard agree that immediately prior to the issue of the Consideration Shares in accordance with Clause 3.7 they shall enter into a Registration Rights Agreement in the agreed terms in respect of 65% (sixty-five per cent) of the Consideration Shares issued to Lee Guinchard and David Gillard.

4. Completion

4.1 Completion shall take place immediately after signing this Agreement at the offices of the Buyer's Solicitors. At Completion each of the parties shall fulfil the obligations imposed upon it by Schedule 6. To the extent that the parties do not fulfil the obligations set out in Schedule 6 on Completion they shall use their best endeavours to do so as soon as practicable following Completion.

4.2 The Buyer shall not be obliged to complete this Agreement unless each Seller complies fully with the requirements of Schedule 6 so far as they relate to the Seller in question and, for the avoidance of doubt, the Buyer shall not be obliged to complete this Agreement unless the purchase of all the Shares is completed simultaneously in accordance with this Agreement.

4.3 The Sellers shall not be obliged to sell their Shares to the Buyer unless the Buyer fulfils its material obligations pursuant to Schedule 6.

4.4 The Sellers shall (and shall procure that all other necessary parties shall) on, and at all times after, Completion execute and do all such deeds, documents, acts and things as the Buyer shall reasonably require at or after Completion for assigning to or vesting in the Buyer or its nominees the full beneficial ownership of, and legal title to, the Shares, and for giving full effect to this Agreement.

4.5 The Sellers shall procure that prior to Completion:

4.5.1 all amounts owing (whether due for payment of not) to the Group by any of the Sellers or any of the officers of the Company or the Sellers or any Associate of the Sellers or such officers or any of them respectively shall have been paid or repaid provided that, without prejudice to the foregoing, to the extent that any such amounts owing have not been paid, these shall continue to be due and payable on demand on and after Completion;

4.5.2 guarantees, indemnities, mortgages, sureties or security arrangements of any kind given by or binding on the Group (including any assets of the Group) in respect of any liabilities or obligations (actual or contingent) of any of the Sellers or any of such officers or any such Associate shall have been fully and effectively released without any provision or consideration for such release by the Group; and

4.5.3 the Group shall be released, without payment by or other cost to the Group, from all debts and obligations of any kind owed or outstanding to and from all guarantees, indemnities, mortgages and surety and security arrangements of any kind given by the Group in favour of, and all rights of subrogation arising against any of the Group from, any of the Sellers or any such officers or any such Associate;

and shall indemnify and keep the Buyer indemnified (as trustee for itself and on behalf of the Group Companies) from and against any failure so to procure and from any Liability pending such release.

5. Buyer Warranties

5.1 The Buyer represents and warrants to, and agrees with, the Sellers, as of the date hereof:

5.1.1 The Buyer is a corporation duly organised, validly existing and in good standing under the laws of the jurisdiction of the state of Delaware and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted and is duly qualified to do business and is in good standing in each jurisdiction where the failure to be so qualified would have a material adverse effect on the Buyer and its subsidiaries. The Buyer shall deliver to the Sellers within 5 days of this Agreement complete and correct copies of its certificate of incorporation and bylaws as amended to the date hereof.

5.1.2 As of the date hereof the authorised capital stock of the Buyer consists of

50,000,000 shares of Common Stock, par value $.01 per share ("Common Stock"), and 5,000,000 shares of Preferred Stock, par value $0.0 per share. At the close of business on 1 February , 1999, 18,425,924 shares of Common Stock were outstanding.

The shares of Common Stock to be issued to the Sellers pursuant to this agreement, when issued in accordance with the documents to be executed and delivered by the Buyer in connection with this agreement, will be duly authorised, validly issued, fully paid and nonassessable and issued in compliance with applicable federal and state securities laws.

5.1.3 The Buyer has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated thereby. The execution and delivery of this agreement, and the consummation of the transactions contemplated thereby, have been duly authorised by all necessary corporate action on the part of the Buyer. This agreement has been duly executed and delivered by the Buyer and constitutes a valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated thereby will not, conflict with or result in any violation of, or default under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under any provision of the certificate of incorporation or by-laws of the Buyer. No consent, approval, order or authorisation of, or registration, declaration or filing with, any federal, state or local government, or any agency or instrumentality thereof, is required by or with respect to the Buyer in connection with the execution and delivery of this Agreement by the Buyer or the consummation by the Buyer of the transactions contemplated thereby except for consents, approvals, orders or authorisations which have been obtained or in respect of which the failure to obtain would not have a material adverse effect on the Buyer.

5.1.4 The Buyer has filed all required forms, reports and documents with the Securities and Exchange Commission (the "SEC") since 1 January 1998, each of which has complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, each as in effect on the dates such forms, reports and documents were filed. The Buyer will therefore deliver to the Sellers within 5 days of this Agreement in the form filed with the SEC (including any amendments thereto), all reports or registration statements filed by the Buyer with the SEC (including any amendments thereto), since 1 January 1998 (the "Buyer SEC Reports"). None of such forms, reports or documents including, without limitation, any financial statements or schedules included or incorporated by reference therein (but excluding exhibits), contained, when filed, any untrue statement of a material fact

or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statement therein, in light of the circumstances under which they were made, not misleading.

5.1.5 The consolidated financial statements of the Buyer included in the Purchaser SEC Reports comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto and fairly present, in conformity with US generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of the Buyer and its consolidated subsidiaries as of the dates thereof and their position for the periods ended (subject, in the case of the unaudited interim financial statements, to normal year- end adjustments).

During the period commencing on 1 November 1998 and ending on the date hereof the Buyer is not aware that any event, fact, condition, circumstance or other development has occurred which has had or could be reasonably expected to have a material adverse effect on the results of operations of the Buyer for that period.

5.2 The representations and warranties made in this Clause 5 shall survive the execution and delivery of this Agreement for a period of one year.

6. Representations Warranties and Undertakings

6.1 The Sellers jointly and severally represent, warrant and undertake (except in relation to the warranties set out in paragraphs 1.2, 1.4, 1.6, 11.3, 11.4, 11.5, 11.6 and 11.7 of Schedule 3 in relation to which Lee Guinchard, David Gillard and Interactive Development each severally represents, warrants and undertakes as to each of themselves only) to the Buyer:-

6.1.1 in the terms of Schedule 3;

6.1.2 that upon any event occurring or matter arising which results in any of the Warranties being unfulfilled, untrue, misleading or inaccurate in any respect at Completion or any breach or non-fulfilment of any of the undertakings, agreements or obligations of the Sellers or any of them contained in this Agreement the Sellers will as soon as reasonably practicable thereafter notify the Buyer of the same and give details of and, where requested, investigate fully all relevant circumstances.

6.2 The Warranties contained in this Agreement will each remain in full force and effect beyond and notwithstanding Completion and are each made without prejudice to any of the others. Subject to Clause 7, no provision of this Agreement will limit the extent or application of any Warranty and although those contained in Schedule 3 are given subject to matters fairly disclosed in the Disclosure Letter no other information relating to any Group Company of which the Buyer or any of its advisers has knowledge (actual or constructive) will prejudice any claim made by the Buyer under any such Warranties or

operate to reduce any amounts recoverable. Each disclosure in the Disclosure Letter shall (if it refers to any separate document) identify such document with a copy of the relevant document being attached to the Disclosure Letter; any disclosure which fails to comply with the foregoing requirement in any respect shall not be effective and the matters stated therein shall be deemed not to be disclosed so that the Warranties shall continue to have full effect without qualification in any respect by such disclosure. Notwithstanding the above or any other provision of this Agreement:-

6.2.1 the Warranties contained in paragraph 1 of Schedule 3 shall not be or be capable of being qualified or discharged by the Disclosure Letter, Clause 7 or in any other way; and

6.2.2 the Warranties shall not be or be capable of being qualified or discharged by the Disclosure Letter, Clause 7 or in any other way insofar as any Claim arises as a consequence of the fraud or wilful or negligent misconduct or concealment of the Sellers.

6.3 Subject to the provisions of Clause 7, without restricting the rights of the Buyer or its ability to claim damages on any basis, provided that the Buyer agrees to use reasonable endeavours to mitigate its loss in so far as if such Claim had been brought as a breach of warranty, the amount of any Claim may be determined as and be deemed to be and the Sellers shall at all times indemnify and keep fully and effectively indemnified the Buyer (for itself and at its option on behalf of the Group and its officers, employees, directors, shareholders, advisors and agents (other than the Sellers)) from and in respect of:-

6.3.1 the amount of all loss, damage or Liability (and all costs, charges, interest, fines, penalties and expenses reasonably incurred in relation to the same (including without limitation all reasonable expenses of investigations and legal fees and expenses on a solicitor and own client basis)) suffered by the Buyers Group and/or the amount of any depletion or diminution in the value of any assets of the Group in each case suffered or incurred by Buyers Group as a result of the subject matter of such Claim; or

6.3.2 the amount by which any assets or liabilities of the Group are respectively less or more than they would have been had the relevant statement in Schedule 3 been true and not misleading; or

6.3.3 the amount of any decrease in the value of the Shares and of any other loss or damage suffered or incurred by the Buyer in consequence of or in relation to the subject matter of such Claim.

6.4 Save as otherwise provided herein and save as regards matters already disclosed in the Disclosure Letter the rights and remedies of the Buyer in respect of any breach of the Warranties shall not be affected by Completion (save that the Agreement shall not be capable of rescission after Completion), by any investigation made by it or on its behalf into the affairs of the Company, by its rescinding or failing to rescind this Agreement or

by any other event or matter whatsoever. The Buyer hereby warrants and undertakes to the Sellers that as at the date of this Agreement, it has not been notified of any matter that it is aware will constitute a breach of Warranty or claim pursuant to the Deed.

6.5 The accuracy of information supplied by the Group or any of its employees or agents to the Sellers or their professional advisers prior to Completion in connection with matters disclosed to the Buyer in the Disclosure Letter will not be deemed to have been represented, warranted or guaranteed by the Group and the Sellers hereby waive any and all claims against the Group or against any of its employees (other than the Executive Sellers) in respect thereof and assign to the Buyer any rights, remedies or claims which they may have in respect of any misrepresentations in, or omission from, any information or advice supplied or given by any Group Company or its respective officers or employees and on which reliance has been placed in giving the Warranties and preparing the Disclosure Letter and the Deed.

6.6 Any liability of the Sellers to the Buyer under this Agreement (including its Schedules and documents referred to in this Agreement) may be released compounded or compromised in whole or in part by the Buyer without in any way prejudicing or affecting its rights against the other Sellers.

6.7 The Sellers agree that each of the Warranties will apply in relation to each of the Group Companies as if all references to the Company are to and include each Group Company.

6.8 If any of the Shares purchased by the Buyer shall at any time be sold or transferred to any Connected Company (as defined in Clause 16.5), the benefit of each of the Warranties may be assigned to the purchaser or transferee of those Shares who shall accordingly be entitled to enforce each of the Warranties against the Sellers as he were named in this Agreement as the Buyer provided that if such assignee is to cease to be a Connected Company it should first assign back to the benefit of the Warranties to the Buyer or another Connected Company.

6.9 The Sellers will at all times indemnify and hold the Buyer (for itself and on behalf of the Group and its officers, shareholders, directors, employees, shareholders and advisors and agents (other than the Sellers)) fully and effectively indemnified against any and all loss, damage or Liability (and all reasonable costs charges interest fines penalties and expenses in connection with any such loss damage or liability, including without limitation, all expenses of investigations and legal fees and expenses on a solicitor and own-client basis) whether or not foreseeable, contemplated or avoidable suffered as a result of or in connection with the following:-

(a) the Company's occupation of the property at 12 Firbank Way, Chartwell Business Park, Leighton Buzzard, Bedfordshire LU7 8FL to the extent that any such liability of the Group in respect of such occupation is not satisfied by the landlord for such property Chartmore Estates Limited being able to exercise its rights in respect of the retention of (pound)5000 currently being held by it;

(b) any claim made by Sony Computer Entertainment Europe Limited ("Sony") or any subsidiary or holding company of Sony in relation to any product sold by or for the Group and in existence at Completion or any element of such products;

(c) in respect of the indemnity provided by the Group to DSG Limited dated 25 January 1999;

(d) in respect of any dispute between any member of the Group and the Federation of International Football Associations (or any agent, affiliate or other authorised representative thereof) with regard to any memory cards produced by any member of the Group and bearing World Cup '98 marks, to the extent that the aggregate liability of the Group in respect of such dispute exceeds (pound)15000;

(e) the Company not having obtained or secured compliance with any consent required by the terms of its agreement with Jordan Grand Prix Limited dated 3 November 1996;

(f) the Company not having obtained or complied with any consent required by the terms of its lease with Chartmoor Estates Limited relating to 2 Chartmoor Road and dated 28 August 1998; and

(g) the Company having failed to comply with any of the conditions required by the terms of its arrangement with GE Capital Commercial Finance or that arrangement (as set out in a letter addressed to Lee Guinchard from Trevor Deacon of GE Capital Commercial Finance dated 19 November 1998) otherwise not having come into full force and effect.

The provisions of Clauses 7.9-7.11 (inclusive) shall mutatis mutandis apply to the provisions of this Clause 6.9.

7. Limitations

7.1 The liability of the Sellers in respect of any Claim shall be limited as follows:

(a) no liability shall arise unless the loss thereby sustained (together with (i) the aggregate amount of losses sustained or arising from previous or concurrent Claims (if any); and (ii) any claims under the Deed (if any) shall exceed (pound)50,000, in which case any and all such sums shall be liable to be met in full;

(b) the aggregate liability of the Sellers under the Warranties and the Deed in respect of all or any Claims against the Sellers together with any claim or liability pursuant to Clause 6.9 above and any claims under the Deed shall not exceed the total value of the Consideration Shares (at the Completion Price) (which shall exclude the amount of all reasonable costs, charges and expenses properly incurred by the Buyer in connection with the making or enforcement of such claims up to (pound)200,000);

(c) no Claim shall be made by the Buyer or the Company (other than in respect of (a) those Warranties in sub-paragraphs 1.1 - 1.6 and 1.8 of Schedule 3 or (b) fraud or wilful misconduct or concealment), unless written notice specifying in reasonable detail the grounds on which such Claim is based (and so far as practicable the amount claimed) has been given by the Buyer to the Sellers on or before:

(i) the date falling 6 months after the date of the second set of audited accounts for the Group following Completion, in respect of any breach or alleged breach of the Warranties (other than those relating to Taxation or set out in (iii) below) or, if earlier, 31 January 2001; and

(ii) the later of the seventh anniversary of Completion or the expiry of the relevant statutory period for claims by the relevant tax authority applicable to non-UK resident companies, in respect of any breach or alleged breach of any Warranties relating to Taxation; and

(iii) 4 years from the Completion Date in respect of any breach or alleged breach of the Warranties set out in paragraphs 7.4 and 7.7 of Schedule 3.

(such dates being the "Claim Dates") and any Claim which has been made or shall be made before the Claim Date shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn and shall become fully barred and unenforceable on the expiry of the period of six months commencing on the receipt by the Sellers of notice of the Claim pursuant to Clause 7.1(c) unless proceedings in respect thereof shall have been commenced against the Sellers and for this purpose proceedings shall not be deemed to have been commenced unless they shall have been issued and served upon the Sellers.

7.2 Notwithstanding Clause 7.1 above, the liability of Interactive Development shall be limited to the value of the proportion of the Consideration Shares (at the Completion Price) issued or to be issued to Interactive Development (or the Escrow Agent) in accordance with this Agreement set out below:

For Claims made in the following Number of Years after Completion	Liability
up to 1	100%
1-2	70%
2-3	40%
3-7	10%

For the avoidance of doubt, the Buyer shall be entitled to claim against the remaining Sellers for any part of any Claim (up to the maximum set out in Clause 7.1 above) which is not recoverable from Interactive Development in accordance with this Clause 7.2.

7.3 Interactive Development undertakes that it will not without the written consent of the Buyer make any distribution, loan or transfer out of the Consideration Shares paid to it pursuant to this Agreement at any time after notice shall have been received by it of a Claim or Claims or any claim or claims under the Deed by the Buyer without first setting aside and retaining an amount of cash equal to the amount of such Claim or claim under the Deed or the Buyer's bona fide estimate thereof provided that such provision shall cease to apply if, within 60 days of notifying Interactive Development of such Claim or claim under the Deed the Buyer shall have fulfilled the requirements to make such Claim or claim under the Deed a Bona Fide Claim.

7.4 Where any loss could give rise to more than one Claim, the Buyer shall not be entitled to recover more than once for the same loss, so that, in calculating the amount payable in respect of any claim for breach of any of the Warranties or any claim under the Deed, account shall be taken of any amount paid under the Warranties and/or the Deed in respect of the same loss.

7.5 Subject to the provision of Clause 7.6, the Sellers shall not be liable for any Claim (other than a claim under the Tax Warranties) if and to the extent that:

(a) a specific allowance, provision or reserve in respect of any liability the subject of the Claim was made or taken into account, or payment or discharge of which was taken into account, in the Completion Accounts;

(b) any provision for Taxation in the Completion Accounts is an over provision;

(c) any liability included in the Completion Accounts has been unconditionally and irrevocably discharged or satisfied below the amount attributed to it or included in respect of it in the Completion Accounts;

(d) it is attributable to:

(i) a failure or omission on the part of any Group Company after Completion to make any claim election, surrender or disclaimer or the failure or omission after Completion to give any notice or consent to do any other thing the making, giving or doing of which in each case was taken into account in computing the provision or reserve for Taxation in the Completion Accounts provided that such failure or omission is otherwise than in the ordinary course of business of the relevant Group Company or the Buyer and at the time of such failure or omission the Buyer was aware or ought reasonably to have been aware that such failure or omission would give rise to a Claim and provided that any such action would not unduly prejudice the Buyer or the Group Company; or

(ii) any claim, election , surrender or disclaimer made or notice or consent given or any other thing done after Completion by any Group Company or the Buyer or any person connected with them (otherwise than in the

ordinary course of business of the relevant Group Company or the Buyer) provided that the Buyer was aware or ought reasonably to have been aware that such claim, election, surrender or disclaimer made or notice or consent given or other thing done would give rise to such Claim and provided that any such action would not unduly prejudice the Buyer or the Group Company;

(e) it arises as a result of:

(i) the retrospective imposition of Taxation or any increase in rates of Taxation in each case occurring after Completion or the withdrawal after Completion of any published concession or general practice previously made by a Tax Authority or by a change in the law after Completion (whether retrospectively or not);

(ii) any change (without the written consent of the Sellers (such consent not to be unreasonably withheld or delayed)) after Completion in the bases upon which the accounts of any Group Company are prepared or any change in accounting or taxation practice, policies or principles provided that the Buyer was aware or ought reasonably to have been aware that such change would result in such Claim arising and not making such change does not unduly prejudice the Buyer or any Group Company; or

(iii) any change (without the written consent of the Sellers (such consent not to be unreasonably withheld or delayed)) after Completion in the date to which any Group Company makes up its Accounts provided that the Buyer was aware or ought reasonably to have been aware that such change would result in such Claim arising and not making such change does not unduly prejudice the Buyer or any Group Company;

(f) the Buyer recovers the proceeds of any insurance policy in respect of any relevant loss or damage suffered by it (without damage, loss, liability, expense or prejudice to the Buyer or any Group Company) under the terms of such insurance policy in force at Completion;

(g) the liabilities under it is contingent or future in which case the Sellers shall not be liable to recompense the Buyer until such time as the Buyer shall actually have suffered loss or incurred the liability in question.

7.6 The provisions of Clause 3.1 of Clause 3 (Exclusions & Limitations), 5 (Payments received by the Buyer or a Group Company), 6 (Over-provisions and corresponding savings), 7 (Conduct of Claims) and 11 (Date of Payment) of the Deed shall apply to claims made under the Taxation Warranties as if the terms were specifically set out herein and as if references under the Deed to the "Covenantors" and "Liability to Taxation" were references to the "Sellers" and "Claim" respectively under this Agreement.

7.7 Where the subject matter of the Claim is capable of remedy without Loss, liability or prejudice to the Buyer's Group, the Sellers shall not be liable for the Claim if and to the extent that the breach or default is remedied by them to the reasonable satisfaction of the Buyer within 30 days of receipt by them of the notification of the Claim pursuant to subclause 7.1(c).

7.8 If the Sellers make any payment ("Payment") in relation to any Claim (other than a claim under the Tax Warranties) and the Buyer (or the Company or any company in the Buyer's group) subsequently receives from a third party any amount or benefit directly as a result of and which would not have been received but for the circumstances giving rise to, the subject matter of that Claim, with the result that, if such payment or benefit had been received prior to the Payment, would have reduced the amount of the Payment by an amount (the "Reduction") the Buyer shall, once it or the Company has received such amount or benefit, as soon as reasonably practicable repay or procure the repayment to the Sellers of the amount of the lesser of (a) the Reduction (b) such receipt and (c) the amount paid by the Sellers in relation to such Claim (after deducting an amount equal to the reasonable costs of the Buyer or the Company incurred in recovering such sum).

7.9 No party shall have any claim or right of recovery for any breach of a representation or warranty or covenant or agreement unless written notice is given in good faith by that party to the other party of the representation, warranty, covenant or agreement pursuant to which the claim is made or right of recovery is sought, setting forth in reasonable detail the specific breach of the representation, warranty, covenant or agreement, the amount of the claim being made and the basis for that amount.

7.10.1 Without prejudice to the provisions of Clause 7.1(c) a party seeking indemnification or making a claim under this Agreement (an "indemnified party") shall give prompt notice to the party from or against whom indemnification is sought or the claim is made (the "indemnifying party") of the assertion of any claim, or the commencement of any action, or proceeding, in respect of which such indemnity or the claim may be sought under this Agreement and will give the indemnifying party such information with respect to such claims as the indemnifying part may reasonably request, but no failure to give such notice shall relieve the indemnifying part of any liability under this Agreement (except to the extent the indemnifying part has suffered actual prejudice as a direct result of such failure).

7.10.2 The indemnifying party may, at its expense, participate in or assume the defence of any such action, or proceeding. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnifying party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and, the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iii) the indemnifying party shall authorise the indemnified party to employ separate

counsel at the expense of the indemnifying party. Whether or not the indemnifying party chooses to defend or prosecute any claim involving a third party, all the parties shall at the indemnifying party's cost reasonably cooperate in the defence or prosecution thereof and shall furnish such records, information and testimony, and attend at the indemnifying party's cost such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

7.10.3 Notwithstanding anything to the contrary in this clause, an indemnifying party's rights pursuant to this clause are subject to the following:-

(a) No failure by the indemnified party to give any notice under this Clause 7.10 shall relieve the indemnifying party of any liability under this Agreement.

(b) An indemnifying party may not exercise its rights pursuant to this clause unless it admits in writing that the claim is one in respect of which the indemnified party is entitled to be indemnified under this Agreement, or, in any event, if the claim (i) is reasonably likely to result in imprisonment of the indemnified party, (ii) is reasonably likely to result in a criminal penalty or fine against the indemnified party the consequences of which would be reasonably likely to have a material adverse effect on the indemnified party unrelated to the size of such penalty or fine, or (iii) is reasonably likely to result in an equitable remedy which would materially impair the indemnified party's ability to exercise its rights under this Agreement, or impair Buyer's right to operate the Companies. The indemnifying party shall take no action pursuant to this clause and the Buyer and the Group shall not be obliged to take any action pursuant to this clause which has any prejudicial effect on the Buyer or the Group.

The Sellers shall not and have no authority to (i) settle or compromise any claim by or against the Group without the Buyer's prior written consent or (ii) take any action, or make any omission which would cause the officers of the Buyer, or any of the Group to be in breach of their fiduciary duties or which would cause the Buyer or any of the Group or any of their respective officers or employees to be in breach of any law or regulation.

7.11 For any Claim or claim under the Deed or pursuant to Clause 6.9 satisfied within 1 year following the date of issue of the Consideration Shares a Seller shall at its option be entitled to settle such Claim or claim under the Deed or pursuant to Clause 6.9 by the transfer to the Buyer of Consideration Shares. Each Consideration Share so transferred shall discharge an amount of a Claim or claim under the Deed or pursuant to Clause 9 equal to its value at the Completion Price at the Conversion Rate.

8. Restrictions on Sellers

8.1 As regards the service agreements proposed to be entered into between Take-Two Interactive Software Europe Limited ("Take-Two Europe") and the Executive Sellers severally at Completion:

8.1.1 the Executive Sellers hereby acknowledge that:

(a) it is a term of this Agreement that the said service agreements are being entered into for the purpose of (inter alia) protecting the goodwill of the Group; and

(b) accordingly if any Executive Seller shall voluntarily leave the employment of Take-Two Europe (or such other company in the Buyer's Group to which his employment is transferred subsequent to Completion) (the "Employer Company") within 3 years from Completion or if Two-Two Europe or the Employer Company shall be entitled summarily to determine such service agreement, the Company and the Buyer will suffer loss;

8.1.2 if any Executive Seller shall leave the employment of Take Two Europe prior to the expiry of 6 months from the date of Completion, such Executive Seller severally undertakes to repay to the Buyer an amount equal to(pound)726,650; if he shall leave such employment thereafter the amount repayable shall reduce by (pound)40,667 for each complete calendar month that he is so employed after the expiry of the initial 6 month period (which sum represents the agreed proportion of the total consideration payable hereunder which is attributable to goodwill), such amount to be payable within one calendar month after the termination of the Executive Seller's employment;

8.1.3 nothing in this Clause shall require the Executive Sellers or any of them to make any payment to the Buyer in circumstances in which:

(a) the Buyer shall terminate the said service agreement without good cause; or

(b) the Buyer shall fail to fulfil its material obligations under this Agreement or any other Transaction Document in any material respect; or

(c) Take-Two Europe or the Employer Company shall constructively dismiss the Executive Seller without having good cause to do so; or

(d) the Executive Seller shall by reason of death, illness or injury be unable to perform his obligations under the said service agreement in circumstances which would entitle Take-Two Europe or the Employer Company to terminate the same.

8.2 For the purposes of this Clause the following words and expressions shall have the following meanings:

"Customer"	any person, firm or company who at any time during the period of two years immediately prior to the relevant Event Date was a customer, client or licensee of the Company or any Relevant Associate being a person, firm or company with whom the relevant Seller personally dealt on behalf of the Company or any Relevant Associate during the said period of two years or for whose account the relevant Seller had overall responsibility;
"Distribution Business"	the business of the marketing, purchasing, sale, licensing and distribution of interactive entertainment software and hardware products (but excluding the Peripherals Business);
"the Event Dates"	the Completion Date and/or the Termination Date;
"Key Person"	a person who is or was at any time whilst the relevant Seller was employed by or a shareholder of the Company: (a) employed or engaged as an employee, director or consultant of the Group or any Relevant Associate; and (b) a person with whom the relevant Seller personally dealt during his employment by or the time he held shares in the Company; and/or (c) employed in the capacity of manager, marketing or sales executive or in a more senior capacity or who is reasonably likely to be in possession of any Confidential Information.
"Period"	the period commencing on each of the Event Dates and ending on the date being (in the case of the Completion Date) four years later and (in the case of the Termination Date) one year from the Termination Date, save that the purposes of Clause 8.3.5, such period shall continue indefinitely;

"Peripherals Business"	the business of the marketing, purchasing, sale, licensing and distribution of interactive entertainment hardware peripherals (including, without limitation, joypads, joysticks, steering wheels and memory cards);
"Prospective Customer"	any person, firm or company who has been engaged in negotiations with the Company or any Relevant Associate with a view to purchasing or contracting in relation to services or goods supplied by the Company or any Relevant Associate in the period of 12 months prior to the relevant Event Date being a person, firm or company with whom the relevant Seller personally dealt on behalf of the Company or any Relevant Associate during the said period of 12 months or for whose account the relevant Seller had overall responsibility;
"Relevant Associate"	any member of the Group and/or an Associate of the Group from time to time;
"Restricted Business"	that part or parts of the Distribution and/or the Peripherals Business which competes or compete or is or are about to compete with that part or parts of the business of the Company or any Relevant Associate with which the relevant Seller was materially involved or concerned or for which the relevant Seller was responsible within a two year period prior to the relevant Event Date;
"Services and/or Goods"	any services and/or goods of a kind supplied by the Company or any Relevant Associate in the period of two years immediately prior to the relevant Event Date and with the supply of which the relevant Seller was concerned during the said two year period;
"Supplier"	any person, firm or company who at any time during the period of two years immediately prior to the relevant Event Date was a supplier, licensor developer of the Company or any Relevant Associate being a person, firm or company with whom the relevant Seller personally dealt on behalf of the Group or any Relevant Associate during the said period of two years or for whose account the relevant Seller had overall responsibility;

"the Termination Date"	the date on which the relevant Executive Seller's employment with the Company or any Relevant Associate terminates.
"Territory"	means, in relation to Distribution Business, the UK and France and, in relation to the Peripherals Business, Europe.

8.3 Each Seller severally agrees with the Buyer that (other than with regard to their employment with any member of the Buyer's Group pursuant to their service agreements), without prejudice to any other duty imposed by law or equity, neither such Seller nor any Associate of such Seller will without the prior written consent of the Buyer (which consent will be withheld only in so far as may be reasonably necessary to protect the legitimate interests of the Buyer, the Company or the Group Business) either by himself, his employees or agents or otherwise howsoever, on his own account or in conjunction with or as principal, partner, director, employee, consultant or agent or otherwise on behalf of any other person for the Period, directly or indirectly:

8.3.1 carry on or assist with or be concerned or interested in the carrying on of a Restricted Business in the Territory;

8.3.2 in competition with that part or parts of the Company or any Relevant Associate with which the relevant Seller was involved, concerned or responsible within a two year period prior to the relevant Event Date, supply (or procure or assist the supply of) any Services and/or Goods to any Customer or any Prospective Customer;

8.3.3 in competition with that part or parts of the Company or any Relevant Associate with which the relevant Seller was involved, concerned or responsible within a two year period prior to the relevant Event Date, canvass or solicit the custom of (or procure or assist the canvassing or soliciting of the custom of) any Customer or any Prospective Customer in respect of any Services and/or Goods;

8.3.4 in competition with the Company or any Relevant Associate:

(a) offer employment to or employ or offer or conclude contract for services with, canvass or solicit the employment or engagement of any Key Person; or

(b) procure or assist any third party so to offer, employ, engage or solicit any Key Person (whether or not such person would commit any breach of his contract with the Company or any Relevant Associate) unless such Key Person had ceased to be employed or engaged by the Company or any Relevant Associate (as the case may be) more than 3 months previously;

8.3.5 interfere or seek to interfere with the continuance of supplies to the Company or

any Relevant Associate by any Supplier or do or say anything likely or calculated to lead any person, firm or company to withdraw from or cease to continue offering to the Company or any Relevant Associate any goods, services or rights enjoyed by it.

8.4 Each of the Sellers severally agrees with the Buyer that he will not at any time after either of the Event Dates, whether by himself, his employees or agents or otherwise howsoever:

8.4.1 engage in any trade or business or be associated with any person firm or company or permit any person engaged in any trade or business using the names "LDA" or "Joytech" other trading names owned or used by the Group or any mark or style thereof or any name, make, style similar thereto;

8.4.2 in the course of carrying on any trade or business, claim, represent or otherwise indicate any present association with the Group or for the purpose of obtaining or retaining any business or custom claim, represent or otherwise indicate any past association with the Group;

8.4.3 without the consent of the relevant Company use whether on his own behalf or on behalf of any third party or divulge to any third party any Confidential Information;

8.4.4 do or say anything with the intention of harming the reputation of the Group or any Group Company or do anything which could be anticipated to lead to any person or Undertaking ceasing to do business with any Group Company; or

8.4.5 induce, procure or assist any member of the Retained Group to carry out or undertake any of those activities referred to in Clause 8.3 or 8.4.

8.5 If the Group shall have obtained any Confidential Information from any third party under an agreement including any restriction on disclosure known to him, each of the Sellers severally agrees with the Buyer that he will not at any time without the consent of the Buyer infringe such restrictions.

8.6 Each of the Sellers severally agrees with the Buyer that the restrictive covenants herein contained are reasonable and necessary for the protection of the value of the Shares and the Company and each of the Sellers agrees that having regard to that fact those covenants do not work harshly on him.

8.7 While the restrictions aforesaid are considered by the parties to be reasonable in all the circumstances, it is agreed that if any such restrictions taken together shall be adjudged to go beyond what is reasonable in all the circumstances for the protection of the interests of the Buyer but would be adjudged reasonable if part or parts of the wording thereof were deleted or amended or qualified or the periods thereof were reduced or the range of products or area dealt with were thereby reduced in scope, then the relevant restriction or restrictions shall apply with such modification or modifications as may be necessary to

make it or them valid and effective.

8.8 Each of the Sellers hereby severally agrees with the Buyer at the request of either of the Companies to enter into a direct agreement or undertaking with any company or companies in the Group whereby he will accept restrictions and provisions corresponding to the restrictions and provisions herein contained (or such of them as may be appropriate in the circumstances) in relation to such products and services and such area and for such period as such company or companies may reasonably require for the protection of its or their legitimate interests.

8.9 Without prejudice to any other rights or remedies that the Buyer may have, the Sellers severally acknowledge and agree that damages alone would not be an adequate remedy for any breach by any of the Sellers of the provisions of this clause and that, accordingly, the Buyer shall be entitled without proof of special damage to the remedies of injunction, specific performance and other equitable relief for any threatened or actual breach of the provisions of this clause by any of the Sellers.

8.10 Each of the obligations on the Sellers contained in the above provisions of this Clause constitutes an entirely separate and independent restriction on the Sellers notwithstanding that they may be contained in the same sub-clause, paragraph, sentence or phrase.

8.11 This Clause shall not preclude the Sellers from holding or acquiring directly or indirectly not more that 1% in nominal value of the issued shares or other securities of any class of any other company which are listed or dealt in on any recognised stock exchange and held by way of bona fide investment only.

9. Obligations of Buyer

9.1 The Buyer agrees that it shall use all reasonable endeavours to obtain the release of the Sellers (at the Seller's expense) from the guarantee obligations details of which are set out below (the "Guarantees") as soon as reasonably practicable following Completion provided that the Sellers shall provide all reasonable assistance to the Buyer in obtaining such release:

Guarantee by Lee Guinchard to National Westminster Bank Plc in respect of (pound)50,000 owed by the Companies to National Westminster Bank Plc.

9.2 The Buyer indemnifies and shall at all times keep fully indemnified the Sellers from and in respect of all liability arising after Completion under the Guarantees.

9.3 The Buyer agrees that on or before March 31, 1999 it shall procure that the Company shall repay a sum not to exceed (pound)260,000 (plus interest not to exceed (pound)5000) to Banque Nationale Paris ("BNP") in respect of the loan to the Company by BNP.

9.4 The Buyer shall procure that Lee Guinchard and David Gillard shall be appointed to the board of directors of Take-Two Europe.

9.5 The Buyer agrees that it shall use reasonable endeavours to transfer the employment of David Gillard to its subsidiary Take Two Interactive Software France SA within a reasonable time of completion on the same terms as the service agreement in the agreed terms.

9.6 The Buyer agrees that within a reasonable time of Completion, it shall grant options to the following persons in the numbers set out next to their names, on the terms of the Option Agreement in the agreed terms at an exercise price of market value on 30 March 1999:

Lee Guinchard	50,000
Daniel Gillard	50,000
Matthew Lamprell	15,000
Roy Newcombe	5,000
Paul Hooper	3,000
Christophe Frilley	3,000
Spencer Guinchard	3,000

10. Effect of Completion

Any provision of this Agreement and any other documents referred to in it which is capable of being performed after but which has not been performed at or before Completion and all Warranties and covenants and other undertakings contained in or entered into pursuant to this agreement shall remain in full force and effect notwithstanding Completion.

11. Costs, Expenses and Insurance

11.1 All costs and expenses incurred by or on behalf of the parties to this Agreement in connection with this Agreement or any of the documents to be executed pursuant to this Agreement will be borne solely by the party who incurs them (and for the avoidance of doubt, any fees, charges, disbursements or other remuneration payable in respect of the Completion Accounts or this Agreement:

(a) to the Buyer's Accountants or the Buyer's Solicitors shall be borne by the Buyer; and

(b) to the Sellers' Accountant or the Seller's Solicitors shall be borne by the Seller)

11.2 For 90 days following Completion the Sellers shall take such steps as are reasonably available to them to maintain in good standing all insurance policies relating to the Group Companies, details of which are given in the Disclosure Letter. The Buyer shall be responsible for making new insurance arrangements for the Group Companies as soon as reasonably practicable after Completion and undertakes to pay on demand (against evidence thereof) to the Sellers all costs properly attributable to keeping the said insurance arrangements in force after Completion.

12. Notices

12.1 To be effective all notices consents approvals requests or other communications relating to this Agreement must be in writing but may be delivered personally or sent by first class prepaid (airmail if overseas) recorded delivery post or facsimile (with a confirmation copy sent by post) to the party to be served at its address as stated in this Agreement or to that party's facsimile transmission number at that address or as notified from time to time;

and if to the Buyer to:-

Take Two Interactive Software Europe Limited
Hogarth House
29-31 Sheet Street
Windsor
Berkshire
SL4 1BY

For the attention of: Kelly Sumner

and if to the Sellers to the respective addresses set out in Schedule 1.

12.2 A communication will be deemed to have been served as follows:-

12.2.1 if personally delivered or by overnight mail at the time of delivery;

12.2.2 if posted at the expiration of two days (three days if overseas) (excluding days which are not Business Days) after the envelope containing the communication was delivered into the custody of the postal authorities;

12.2.3 if sent by facsimile at the expiration of one day (excluding a Business Day) after the facsimile was transmitted.

12.3 In proving service it will be sufficient to prove that the personal delivery was made or that the envelope containing the communication was properly addressed as a pre-paid first class (airmail if overseas) recorded delivery letter or that the facsimile was properly addressed and sent.

13. Entire Agreement/Variation

13.1 This Agreement (together with any Transaction Documents) constitutes the entire agreement and understanding between the parties and supersedes any previous agreement, arrangement or understanding between the parties in relation to the subject matter of this Agreement.

13.2 No variation of this Agreement shall be effective unless made in writing and signed by or on behalf of each party.

14. Counterparts

This Agreement may be executed in any number of counterparts all of which together shall constitute a single instrument.

15. Announcements

Unless specifically otherwise agreed in writing or required by law, no public announcement shall be made in respect of the subject matter of this Agreement and the parties shall co-operate with respect to any such public announcement.

16. General

16.1 The termination of this Agreement for whatever cause shall not prejudice or affect the rights or remedies of either party against the other in respect of any antecedent breach of this Agreement and shall not prejudice the rights or remedies of either party in respect of any sums or sum of money owed or owing from one party to the other.

16.2 No failure or delay by either party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise by either party of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of and are without prejudice to any rights or remedies available under law or otherwise.

16.3 No breach of any provision of this Agreement shall be waived or discharged except with the express written consent of the parties.

16.4 If any term or provision in this Agreement shall be held to be illegal or unenforceable, in whole or in part, under any enactment or rule of law, such term or provision or part shall to that extent be deemed not to form part of this Agreement but the enforceability of the remainder of this Agreement shall not be affected. The parties further agree to replace such void or unenforceable provision of this Agreement with valid and enforceable provisions that will achieve, to the greatest extent possible, the economic, business and other purposes of the illegal or unenforceable term or provision.

16.5 Subject to the express provisions of this Agreement, neither party may assign the benefit of this Agreement in whole or in part without the prior written consent of the other Provided That the Buyer may upon giving written notice to the Sellers, assign the benefit of this Agreement to any Connected Company. For the purposes of this sub-clause "Connected Company" will mean any Subsidiary Undertaking, Parent Undertaking or Associate of the Buyer or any Subsidiary Undertaking of such Parent Undertaking or Associate. If that assignee (or in the case of a series of assignments the ultimate assignee)

ceases to be a Connected Company, the rights held by the relevant assignee shall lapse unless they are reassigned within 14 days to the Buyer or any other person or Undertaking at that time a Connected Company.

16.6 Notwithstanding any other provisions of this Agreement no provision of any Transaction Document of such a nature so as to cause it to be registered under the Restrictive Trade Practices Act of 1976 shall take effect unless and until such time as appropriate notice of that provision shall have been furnished to the Director General of the Office of Fair Trading and notified in relation to Article 85 of the Treaty of Rome. The parties shall use all reasonable endeavours to procure the furnishing of such notice at the Buyer's cost as soon as possible after the signing of this Agreement.

16.7 If the Sellers or the Buyer default in the payment when due of any sum payable under this Agreement or the Deed (whether determined by agreement or pursuant to an order of the Court or otherwise) the liability of the Sellers or the Buyer (as the case may be) shall be increased to include interest on such sum from the date when such payment was due until the date of actual payment (as well after as before judgment) at a rate per annum of 2 per cent above the base rate from time to time of National Westminster Bank Plc. Such interest shall accrue from day to day.

17. Provision of Group Business Information

17.1 During the period of six years after Completion and without prejudice to any of the Warranties:-

17.1.1 if any Group Business Information Required for the Group Business of the Company or other member of the Group is not in the possession of the Buyer or readily discoverable by the Buyer but is in the possession or under the control of or available to any Seller, the Sellers shall procure that such Group Business Information is provided to the Buyer promptly on request; and

17.1.2 if any Books or Records of any Seller or any other member of the Retained Group contain Group Business Information which should be provided to the Buyer, the Sellers shall procure that copies of such Books or Records are given to the Buyer promptly on request.

17.2 For the purposes of this clause and this Agreement generally, "Required for the Group Business" means any Intellectual Property or Group Business Information of the Company or any other member of the Group which is or has in the last 6 years been used in the business of the Company or any other member of the Group or if it will be needed by the Company or any other member of the Group to carry on its business in the same manner as it is presently carried on or to fulfil any of its present contracts, plans or projects in relation to the business of the Company or that member of the Group or to comply with any law applicable in relation to the business of the Company or that member of the Group or if it is vested in any of the Buyers and its retention by any Buyer after Completion of this agreement would be damaging or detrimental to the business of the

Company or any member of the Group.

18. Governing Law and Jurisdiction

18.1 This Agreement and the Transaction Documents save as expressly stated otherwise shall be governed by and construed in accordance with English law and the parties irrevocably submit to the non-exclusive jurisdiction of the English courts as regards any claim, dispute or matter ensuing in relation to this Agreement and the Transaction Documents.

18.2 Each of the Sellers and the Buyer hereby irrevocably designate, appoint and empower (in the case of the Sellers) the Sellers' Solicitors and (in the case of the Buyer) the Buyer's Solicitors as its agent to receive for and on its behalf service of process in any legal action, matter or proceedings with respect to this Agreement service on whom shall be deemed completed whether or not received by the Sellers or the Buyer as the case may be. Each party shall inform the other in writing of any change in the address of its process agents within 28 days. If such process agents cease to have an address in England, the relevant party irrevocably agrees to appoint new process agents acceptable to the other party and deliver to it within 14 days a copy of a written acceptance of appointment by its new process agents. Nothing contained in this Agreement shall however affect the right to serve process in any other manner permitted by law or the right to bring proceedings in any other jurisdiction for the purposes of the enforcement or execution of any judgment or other settlement in any other courts.

IN WITNESS of which this Agreement has been duly executed the day and year first above written.

SIGNED by LEE GUINCHARD in the presence of:	)	/s/ Lee Guinchard

/s/ Sabastian Belcher

SIGNED by DAVID GILLARD in the presence of:	)	/s/ David Gillard

/s/ Sabastian Belcher

SIGNED by LEE GUINCHARD as authorised signatory for INTERACTIVE DEVELOPMENT in the presence of:	)	/s/ Lee Guinchard

/s/ Sabastian Belcher

SIGNED by KELLY SUUNER for and on behalf of TAKE TWO INTERACTIVE SOFTWARE, INC in the presence of:	)	/s/ Kelly Sumner

/s/ Sabastian Belcher

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT dated as of the 8th day of February 1999 by and among T2 DEVELOPER, INC., a Delaware corporation ("Buyer") and wholly-owned subsidiary of TAKE-TWO INTERACTIVE SOFTWARE, INC., a Delaware corporation ("T2"); GATHERING OF DEVELOPERS I, LTD., a Texas limited partnership (the "Partnership"); and GATHERING OF DEVELOPERS, INC., a Texas corporation ("Gathering").

WITNESSETH:

WHEREAS, the Partnership was duly organized in January 1998 pursuant to an Agreement of Limited Partnership dated January 29, 1998 (the "Partnership Agreement") to engage in the business of developing, publishing and marketing interactive software games (the "Business"); and

WHEREAS, Gathering is the sole general partner of the Partnership (hereinafter referred to as the "General Partner"); and

WHEREAS, Harry A. Miller and Michael S. Wilson (the "Shareholders") own all of the issued and outstanding capital stock of the General Partner; and

WHEREAS, the limited partners of the Partnership as of the date hereof set forth on Exhibit A (individually, a "Limited Partner" and collectively, the "Limited Partners") are the owners of all of the issued and outstanding limited partnership interests of the Partnership (the "Limited Partnership Interests"); and

WHEREAS, simultaneously with the execution of this Agreement, the General Partner and each of the Limited Partners desire to amend and restate the Partnership Agreement (the "Amended and Restated Partnership Agreement") to among other things (i) admit Buyer as a special Limited Partner (hereinafter sometimes referred to as the "Class A Limited Partner"); (ii) issue a Class A Limited Partnership Interest (the "Class A Interest") representing a fixed, non-dilutable (except in accordance with the terms of the Partnership Agreement) 19.9% economic limited partner interest of the Partnership; and (iii) reclassify: (a) the Limited Partners as Class B Limited Partners (hereinafter referred to as the "Class B Limited Partners") and (b) the Limited Partnership Interests currently held by the Class B Limited Partners as Class B Limited Partnership Interests (hereinafter referred to as the "Class B Interests"). The Class A Interests and the Class B Interests are sometimes collectively referred to herein as the "Partnership Interests." A copy of the Amended and Restated Partnership Agreement attached hereto as Exhibit B and incorporated by reference herein is made an integral part hereof; and

WHEREAS, in connection with the transactions contemplated by this Agreement, the Partnership and T2 desire to amend the terms of the Software Distribution Agreement (the "Distribution Agreement") dated as of May 27, 1998, by and between the Partnership and T2 and the Heads of Agreement ("Heads of Agreement"), dated as of April 6, 1998, by and among the Partnership, T2, Terminal Reality, Inc., Apogee Software, Inc., PopTop Software, Inc. and Take-Two Interactive Software Europe, Ltd. (collectively, the "Distribution Agreements") in the form and substance attached hereto as Exhibit C which is incorporated by reference herein and made an integral part hereof (the "Amended Distribution Agreement").

NOW, THEREFORE, in consideration of and in reliance upon the covenants, conditions, representations and warranties herein contained, the parties hereto hereby agree as follows:

1. Preamble. It is expressly agreed by the parties that the preamble is an integral part of this agreement and its terms are incorporated herein.

2. Purchase and Sale of Class A Interests. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties, covenants and conditions herein contained, on the Closing Date (as defined in Section 7 hereof) the Partnership shall issue, sell, convey, assign, transfer and deliver to Buyer the Class A Interest, free and clear of any and all Liens (as defined in subparagraph 8.5 hereof) and Buyer shall be admitted as a Class A Limited Partner in accordance with the terms of the Amended and Restated Partnership Agreement.

3. Purchase Price. In consideration for the issuance of the Class A Interest, T2 shall cause the Class A Limited Partner to make an aggregate capital contribution of $4 million to the Partnership (the "Capital Contribution") in accordance with Section 4 hereof.

4. Payment of Purchase Price. Subject to the terms and conditions of the Amended and Restated Partnership Agreement and Amended Distribution Agreement, the Capital Contribution shall be made as follows: One installment of $667,000 to be paid in cash on the Closing Date and thereafter in 5 equal monthly installments of $667,000 to be paid on the first day of each month, commencing on March 1, 1999. The Class A Limited Partner's obligation to make the Capital Contribution is subject to the Partnership complying with the material provisions of the Amended Distribution Agreements. In the event there is a default with respect to such material obligations and such default is not cured within 60 days of written notice from T2 to Gathering, the Class A Limited Partner may elect, at its option, to discontinue payment of the Capital Contribution hereunder, at which time the Capital Contribution shall be deemed paid to the extent of the damage directly caused by such default by the Partnership subject to the limitations contained in the Amended Distribution Agreement. In the event that the Class A Limited Partner fails to make all or any part of any payment of the Capital Contribution when due hereunder and if such default occurs and remains uncured for a period of 45 days after such payment is due (each such event, a "Payment Default"), then, the General Partner at its sole election and as its exclusive remedy with respect to a default in the payment of the Capital Contribution, may either (i) decrease pro rata the Class A Limited Partner's Class A Interest to be equivalent in proportion and value with the portion of the Capital Contribution paid prior to

the date of such uncured default and no more Capital Contribution shall be due hereunder, or (ii) the Class A Limited Partner shall immediately become a Class B Limited Partner of the Partnership and the remaining balance of the Capital Contribution shall be immediately due and payable.

5. Director Designees. For a period of five years following the date hereof, the General Partner will, upon the written request of the Class A Limited Partner, elect two designees of the Class A Limited Partner to the General Partner's Board of Directors (the "Board"), and compensate and reimburse such director designees in the same manner as it compensates and reimburses directors of the General Partner. The General Partner will deliver to the Class A Limited Partner, on the Closing Date, the agreements of the Shareholders to vote their shares for the election of the designees.

6. Further Assurances. Each of the Class A Limited Partner and T2, on the one hand, and the General Partner and the Partnership, on the other hand, hereby agree that it shall from time to time after the Closing Date, at its sole cost and expense, take any and all actions, and execute, acknowledge, deliver, file and/or record any and all documents and instruments, as any other party may reasonably request in order to more fully perfect the rights which are intended to be granted hereunder. The Partnership and the General Partner hereby agree not to (without the written consent of T2) assign, transfer or otherwise pledge, encumber or place a lien against, or intentionally breach the terms of, the Partnership's Publishing and Development Agreements with the Class B Limited Partners.

7. Closing. The closing of the transactions provided for herein (the "Closing") shall take place on February 8th, 1999, at the offices of Tenzer Greenblatt LLP, 405 Lexington Avenue, New York, NY 10174, or at such other place, time and date and in such manner as may hereafter be mutually agreed upon by the parties (such time and date of Closing being hereinafter called the "Closing Date"). At the Closing: (i) each of the Partnership and the General Partner shall deliver (a) the Amended and Restated Partnership Agreement, (b) the Amended Distribution Agreement, (c) certificates representing the Class A Interest issued in the name of the Class A Limited Partner, (d) the agreement of the Shareholders set forth in Section 5, and (e) an opinion of Thompson & Knight, P.C., counsel for the Partnership, dated the Closing Date, in the form attached hereto as Exhibit D; and (ii) each of T2 and the Class A Limited Partner shall deliver (a) the Amended Distribution Agreement, (b) the Amended and Restated Partnership Agreement, (c) an opinion of Tenzer Greenblatt LLP, counsel for each of T2 and the Class A Limited Partner, dated the Closing Date, in the form attached hereto as Exhibit E; and (d) the initial payment of the purchase price for the Class A Interest of $666,667 in immediately available funds.

8. Representations and Warranties as to the Partnership. The General Partner hereby represents and warrants to the Class A Limited Partner as follows:

8.1. Organization, Standing and Power.

The Partnership is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Texas, with full partnership power and authority to own, lease and operate its properties and to carry on its business as presently conducted by it. There are no states or jurisdictions in which the character and location of any of the properties owned or leased by the Partnership, or the conduct of its business, makes it necessary for it to qualify to do business as a foreign limited partnership except where the failure to do so would not have a material adverse effect on the Partnership. The General Partner is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas. The Partnership Agreement and all amendments thereof, have been furnished to the Class A Limited Partner and are true, complete and correct.

8.2. Capitalization.

(a) All issued Class B Interests have been duly and validly issued and, subject to applicable law, are fully paid and nonassessable. Except as set forth in Schedule 8.2, there are no outstanding options, warrants, rights, puts, calls, commitments, conversion rights, plans or other agreements of any character to which the Partnership or the General Partner is a party or otherwise bound which provide for the acquisition, disposition or issuance of any Class B Interests, or authorized and unissued partnership interests of the Partnership. Except as provided under applicable law, there is no personal liability, and there are no preemptive or similar rights, attached to the Class B Interests. Set forth on Schedule A, is a complete and correct list of the names, addresses and record ownership of all of the partners of the Partnership. The Partnership has no knowledge that any of the Class B Interests have been assigned or transferred other than the proposed transfer involving Strategic Marketing Partners to an affiliate thereof.

(b) The Class A Interest is duly and validly issued and, subject to applicable law and the terms of this Agreement and the Amended and Restated Partnership Agreement, fully paid and nonassessable. Except as set forth on Schedule 8.2 there are no outstanding options, warrants, rights, puts, calls, commitments, conversion rights, plans or other agreements of any character to which the Partnership or the General Partner is a party or otherwise bound which provide for the acquisition, disposition or issuance of any Class A Interest. Except as provided under applicable law, there is no personal liability, and there are no preemptive or similar rights, attached to the Class A Interest. The Class A Interest will be issued free and clear of any and all Liens (as defined below).

8.3. Interests in Other Entities.

Other than the publishing agreements of the Partnership and as set forth on Schedule 8.3, neither the Partnership nor the General Partner (A) owns, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any corporation, (B) has any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity, or (C) have any obligation, direct or indirect, present or contingent, (1) to purchase or

subscribe for any interest in, advance or loan monies to, or in any way make investments in, any person or entity, or (2) to share any profits or capital investments or both.

8.4. Authority.

The execution and delivery by each of the Partnership and the General Partner of this Agreement, the Amended Distribution Agreement and the Amended and Restated Partnership Agreement and of all of the other agreements to be executed and delivered by it pursuant hereto, the performance by it of its obligations hereunder and thereunder, and the consummation by it of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of the Partnership and the General Partner, and each of the Partnership and the General Partner has all necessary power with respect thereto. This Agreement is, and when executed and delivered by the Partnership and the General Partner and each of the other agreements to be delivered by any or all of them pursuant hereto will be, the valid and binding obligations of the Partnership and the General Partner in accordance with its terms.

8.5. Noncontravention.

Except as set forth on Schedule 8.5, neither the execution and delivery by each of the Partnership and the General Partner of this Agreement, the Amended Distribution Agreement, the Amended and Restated Partnership Agreement or of any agreement to be executed and delivered by it pursuant hereto, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by each of the Partnership and the General Partner of any of its obligations hereunder or thereunder, will (nor with the giving of notice or the lapse of time or both would) (A) give rise to a default, or any right of termination, cancellation or acceleration, or otherwise be in conflict with or result in a loss of contractual benefits to the Partnership, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it is a party or by which the Partnership or the General Partner or any of the assets of the Partnership (the "Partnership Assets") may be bound, or require any consent, approval or notice under the terms of any such document or instrument, or (B) violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental or administrative authority which is applicable to the Partnership, the General Partner or any of the Partnership Assets where such violation would have a material adverse effect on the Partnership or the General Partner, or (C) result in the creation or imposition of any lien, security interest, pledge, mortgage, easement, leasehold, assessment, covenant, restriction, reservation, conditional sales, prior assignment, or other encumbrance of any nature whatsoever other than those created by T2 or its affiliate ("Liens") upon any material Partnership Assets, or (D) materially interfere with or otherwise materially adversely affect the operation of the Business after the Closing Date.

8.6. Financial Statements.

The financial statements of the Partnership (the "Partnership Financial Statements") are attached hereto as Exhibit F. The Partnership Financial Statements consist of the unaudited balance sheets at December 31, 1998, and the related statements of income for the twelve months

then ended (collectively, the "Partnership Financial Statements"). The Partnership Financial Statements present fairly the financial position of the Partnership as at the dates thereof and the results of operations for the periods indicated in all material respects. The books and records of the Partnership are complete and correct, have been maintained in accordance with good business practices, and accurately reflect the basis for the financial condition, results of operations of the Partnership as set forth in the Partnership Financial Statements.

8.7. Absence of Undisclosed Liabilities.

The Partnership has no material liabilities or obligations of any nature whatsoever, whether accrued, absolute, contingent or otherwise, which have not been (i) accrued in the December 31, 1998 balance sheet of the Partnership in the case of liabilities and obligations of a type customarily reflected on a partnership balance sheet, or (ii) described in any of the Schedules delivered pursuant hereto or omitted from said Schedules in accordance with the terms of this Agreement, in the case of other types of contingent and other liabilities and obligations, or (iii) incurred, consistent with past practice, in the ordinary course of business since November 30, 1998, where applicable.

8.8. Litigation.

Other than as set forth in Schedule 8.8 there are no claims, suits, actions, arbitration, investigations, inquiries or other proceeding before any governmental agency, court or tribunal, domestic or foreign, or before any private arbitration tribunal, pending or, to the best knowledge of the Partnership, threatened, against or relating to the Partnership, the Business or any of the Partnership Assets; nor to the best knowledge of the Partnership, is there any basis for any such claim, suit, action, arbitration, investigation, inquiry or other proceeding. Except for the settlement agreement between the Partnership, T2 and The 3DO Company, there are no judgments, orders, stipulations, injunctions, decrees or awards in effect in any proceeding involving the Partnership as a party, the effect of which is (A) to limit, restrict, regulate, enjoin or prohibit any business practice in any area, or the acquisition of any properties, assets or businesses, or (B) otherwise materially adverse to the Business or any of the Partnership Assets.

8.9. No Violation of Law.

To the best knowledge of the Partnership, the Partnership has not engaged or is not engaging in any activity or omitting to take any action as a result of which (A) it is in violation of any law, rule, regulation, zoning or other ordinance, statute, order, injunction or decree, or any other requirement of any court or governmental or administrative body or agency, applicable to the Partnership, including, but not limited to, those relating to: occupational safety and health; environmental and ecological protection (e.g., the use, storage, handling, transport or disposal of pollutants, contaminants pesticides or hazardous or toxic materials or wastes, and the exposure of persons thereto); business practices and operations; labor practices; employee benefits; and zoning and other land use, and (B) the Partnership, the Business and/or any of the Partnership Assets have been or may be materially adversely affected.

8.10. Intellectual Property.

Schedule 8.10 is a complete and correct list of all (A) United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part by the Partnership, and all applications therefor, (B) inventions, discoveries, improvements, processes, formulae, proprietary rights and trade secrets relating to the Business which have been so identified by the Partnership in the normal conduct of its business, and (C) licenses and other agreements to which the Partnership is a party or otherwise bound which relate to any of the foregoing. Except as expressly set forth in said Schedule 8.10, (A) the Partnership owns or has the right to use all of the foregoing ; (B) no proceedings have been instituted, are pending or are threatened, which challenge the rights of the Partnership in respect thereto or the validity thereof and, to the best knowledge of the Partnership, there is no valid basis for any such proceedings; (C) none of the aforesaid violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; and (D) none of the aforesaid is subject to any outstanding order, decree, judgment, stipulation or charge. To the best knowledge of the Partnership, all of the labelling and packaging for the Partnership's products have complied with all applicable federal, state and local laws in all material respects.

8.11. Tax Matters.

The Partnership has filed with the appropriate governmental agencies all tax and informational returns and reports required to be filed by it prior to the Closing, and has paid in full or made adequate provision for the payment of, all taxes, interest, penalties, assessments and deficiencies shown to be due or claimed to be due on such tax returns and reports.

8.12. Insurance.

Attached hereto as Schedule 8.12 is a complete and correct list of all policies of insurance relating to any of the Partnership's assets or the Business in which the Partnership is an insured party, beneficiary or loss payable payee. Such policies are in full force and effect, all premiums due and payable with respect thereto have been paid, and no notice of cancellation or termination has been received by the Partnership with respect to any such policy. The Partnership has not sustained any material loss or interference with its business from fire, storm, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or court of governmental action, order or decree.

8.13. Certain Contracts.

Schedule 8.13 is a complete and correct list of all material contracts, commitments, indentures, mortgages, obligations, agreements and understandings to which the Partnership is a party or otherwise bound (including all of the Partnership's Publishing Agreements and Development Agreements with the Class B Limited Partners); for purposes of this Section 8.13, the term "material" means contracts providing for payments to or by the Partnership to or by third

parties in an amount greater than $100,000, a complete list and copies thereof, if requested, of which have been furnished to Buyer. Except as set forth on Schedule 8.13, all material contracts, commitments, indentures, mortgages, obligations, agreements and undertakings set forth on any of the Schedules delivered pursuant to this Agreement (A) are in full force and effect, no person or entity which is a party thereto or otherwise bound thereby is in default thereunder, and, no event, occurrence, condition or act exists which does (or which with the giving of notice or the lapse of time or both would) give rise to a default or right of cancellation, acceleration or loss of material contractual benefits thereunder; and (B) there has been no threatened cancellations thereof, and there are no outstanding disputes thereunder. To the best knowledge of the Partnership, none of the material provisions of such contracts, instruments or agreements violates any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court having jurisdiction over the Partnership, the Business or the Partnership Assets.

8.14. Information as to the Partnership.

None of the representations or warranties, as qualified therein, made by the General Partner or the Partnership in this Agreement or in any agreement executed and delivered by it pursuant hereto are false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein contained not misleading.

9. Representations and Warranties as to the Class A Limited Partner.

Each of T2 and the Class A Limited Partner jointly and severally represents and warrants to the Partnership and the General Partner as follows:

9.1. Organization, Standing and Power.

The Class A Limited Partner is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate its properties and to carry on its business as presently conducted by it.

9.2. Authority.

The execution and delivery by each of T2 and the Class A Limited Partner of this Agreement, the Amended and Restated Partnership Agreement, and of each agreement to be executed and delivered by it pursuant hereto, the compliance by each of T2 and the Class A Limited Partner with the provisions hereof and thereof, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of each of T2 and the Class A Limited Partner, and each of T2 and the Class A Limited Partner has all necessary corporate power with respect thereto. Each of this Agreement, the Amended and Restated Partnership Agreement, and each other agreement to be executed and delivered by it pursuant hereto will be, is, and when executed and delivered by each of T2 and the Class A Limited Partner, will be the valid and binding obligation of each of T2 and the Class A Limited Partner in accordance with its terms. Neither the execution and delivery by T2 and the Class A Limited Partner of this Agreement, the Amended and Restated Partnership

Agreement or of any of the aforementioned other agreements, nor the consummation of the transactions contemplated hereby or thereby, nor the compliance by T2 and the Class A Limited Partner with the provisions hereof and thereof, will (nor with the giving of notice or the lapse of time or both, would) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws of either T2 or the Class A Limited Partner, or in the breach of any material agreement to which either T2 or the Class A Limited Partner is a party or otherwise bound.

10. Investment Intent.

Each of T2 and the Class A Limited Partner hereby jointly and severally represents and warrants to Gathering and the Partnership that each of T2 and the Class A Limited Partner is (i) an "accredited investor" who has had the opportunity to ask questions concerning the partnership and is purchasing the Class A Interest for investment purposes only and not with a view toward the distribution thereof; and (ii) an expert in the industry and business of the Partnership and understands the risks associated therewith and has entered into this Agreement based upon such expertise and the representations and warranties contained herein. The certificate representing the Class A Interest shall bear a legend substantially similar to the following:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended ("Act"), and may not be offered or sold except (i) pursuant to an effective registration statement under the Act; (ii) pursuant to an exemption provided for under the Act; or (iii) upon the delivery by the holder to the Partnership of an opinion of counsel, reasonably satisfactory to counsel for the Partnership, stating that an exemption from registration under such Act is available."

T2 and the Class A Limited Partner, by acceptance of the Class A Interest, covenants and agrees that the Class A Interest is being acquired as an investment and not with a view to the distribution thereof and the Class A Interest may not be transferred unless such securities are either registered under the Act and any applicable state securities law or an exemption from such registration is available. T2 and the Class A Limited Partner agree to execute any documents which may be reasonably required by counsel to the Partnership to comply with the provisions of the Act and applicable state securities laws.

11. Indemnification.

11.1. Indemnification by the General Partner and the Partnership.

The General Partner and the Partnership hereby, jointly and severally, indemnify and hold the Class A Limited Partner and T2 and each of their respective officers, directors, agents, stockholders and controlling persons harmless from and against any and all losses, obligations, deficiencies, liabilities, claims, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto) which any of them may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with the breach by the Partnership and the General Partner of any representation, warranty or covenant made by it in this Agreement or in any agreement or instrument executed and delivered pursuant hereto.

11.2. Indemnification by Class A Limited Partner and T2.

Each of T2 and the Class A Limited Partner hereby, jointly and severally, indemnifies and holds the General Partner and the Partnership and each of their respective officers, directors, agents, partners, employees and controlling persons harmless from and against any and all losses, obligations, deficiencies, liabilities, claims, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto), which any of them may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with the breach by T2 or the Class A Limited Partner of any representation, warranty or covenant made by it in this Agreement or in any agreement or instrument executed and delivered pursuant hereto.

11.3. Third Party Claims.

If a claim by a third party is made against any party or parties hereto and the party or parties against whom said claim is made intends to seek indemnification with respect thereto under this Section 11, the party or parties seeking such indemnification shall promptly notify the indemnifying party or parties, in writing, of such claim; provided, however, that the failure to give such notice shall not affect the rights of the indemnified party or parties hereunder unless such failure materially and adversely affects the indemnifying party or parties. The indemnifying party or parties shall have twenty (20) days after said notice is given to elect, by written notice given to the indemnified party or parties, to undertake, conduct and control, through counsel of their own choosing (subject to the consent of the indemnified party or parties, such consent not to be unreasonably withheld) and at their sole risk and expense, the good faith settlement or defense of such claim, and the indemnified party or parties shall cooperate with the indemnifying parties in connection therewith; provided: (i) in the case of the General Partner as the indemnifying parties, they shall not thereby permit to exist any lien, encumbrance or other adverse charge upon any of the Partnership's Assets, Buyer or the Business, and (ii) the

indemnified parties shall be entitled to participate in such settlement or defense through counsel chosen by the indemnified parties, provided that the fees and expenses of such counsel shall be borne by the indemnified parties. So long as the indemnifying parties are contesting any such claim in good faith, the indemnified parties shall not pay or settle any such claim; provided, however, that notwithstanding the foregoing, the indemnified parties shall have the right to pay or settle any such claim at any time, provided that in such event they shall waive any right of indemnification therefor by the indemnifying parties. If the indemnifying parties do not make a timely election to undertake the good faith defense or settlement of the claim as aforesaid, or if the indemnifying parties fail to proceed with the good faith defense or settlement of the matter after making such election, then, in either such event, the indemnified parties shall have the right to contest, settle or compromise the claim at their exclusive discretion, at the risk and expense of the indemnifying parties to the full extent set forth in subparagraph 11.1 or 11.2 hereof, as the case may be.

12. Miscellaneous Provisions.

12.1. Survival of Representations and Warranties.

Each of the parties hereto agrees that all representations and warranties made by or on behalf of it in this Agreement, or in any document or instrument delivered pursuant hereto shall survive the Closing Date for a period of two years, and thereafter expire and thereafter no party hereto or any shareholder, director, officer, employee, or affiliate of such party shall be under any liability with respect to any such representation or warranty; provided, however, that with respect to any claim for a breach of any representation or warranty made before the expiration of such two year period, such representation or warranty shall be deemed to survive and the breaching party shall continue to have liability thereunder in accordance with the terms of this Agreement.

12.2. Expenses.

Except as otherwise provided in this Agreement, each of the parties hereto shall pay his or its own costs and expenses in connection with this Agreement and the transactions contemplated hereby.

12.3. Brokers.

Each of T2 and Buyer, on the one hand, and the Partnership and Gathering, on the other jointly and severally represents and warrants to the other that no broker or finder (other than Concordia Capital/Frost Berman, Frost Capital Europe, Bengur Bryan and Martin Zacarias/Argus Capital, the fees of which are the responsibility of the Partnership) was engaged or dealt with in connection with any of the transactions contemplated by this Agreement, and each of the parties shall indemnify and hold the other harmless from and against any and all claims or liabilities asserted by or on behalf of any alleged broker or finder for broker's fees, finder's fees, commissions or like payments.

12.4. Tax Advisors.

Each of T2 and Buyer, on the one hand, and the Partnership and Gathering on the other hand, jointly and severally, represent and warrant to the other parties hereto that it has consulted with its respective tax advisors with respect to the transactions contemplated in this Agreement.

12.5. Execution in Counterparts.

This Agreement may be executed in one or more counterparts by mail, courier or facsimile, and by the different parties hereto in separate 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.

12.6. Notices.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or made as of the earlier of the date delivered or mailed if delivered personally by overnight courier or mailed by express, registered or certified mail, (postage prepaid, return receipt requested), or by facsimile transmittal, confirmed by express, certified or registered mail, as follows:

If to T2 or Buyer, to:	Take-Two Interactive Software, Inc. 575 Broadway New York, New York Attn: Ryan Brant
Copy to:	Tenzer Greenblatt LLP 405 Lexington Avenue New York, NY 10174 Attn: Barry S. Rutcofsky, Esq.
If to the Partnership or the General Partner:	Gathering of Developers, Inc. 2700 Fairmount Dallas, Texas 75201 Attn: General Partner

Copy to: Thompson & Knight, P.C.
1700 Pacific Avenue, Ste. 3300
Dallas, Texas 75201
Attn: J. Holt Foster, III, Esq.

or to such other address as any party shall have designated by like notice to the other parties hereto (except that a notice of change of address shall only be effective upon receipt).

12.7. Governing Law.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without regard to its choice of law principles, with a forum and venue of New York County, New York.

12.8. Amendment.

This Agreement may only be amended by a written instrument executed by each of the parties hereto.

12.9. Entire Agreement.

This Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

12.10. Assignment.

Neither this Agreement nor any rights, interests or obligations hereunder may be assigned (by operation of law or otherwise) by any party hereto without the prior written consent of all of the parties hereto.

12.11. Binding Effect; Benefits.

This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns. Nothing herein contained, express or implied, is intended to confer upon any person other than the parties hereto and their respective heirs, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

12.12. Waiver, etc.

The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Agreement or any provision hereof or the right of any

of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach shall be construed or deemed to be a waiver of any other or subsequent breach.

12.13. Severability.

Any provision of this Agreement which is held by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction(s) shall be, as to such jurisdiction(s), ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

12.14. Announcements.

Each of the parties shall hereto consult with each other prior to the issuance of any press release or otherwise divulging the existence of this Agreement, its contents, or the transactions contemplated hereby, and none of the parties hereto shall issue any such press release or make any such statement prior to such consultation, except as may be required by applicable law or the applicable rules or regulations of NASDAQ or any other stock exchange.

12.15. Schedules.

The Schedules delivered pursuant to this Agreement are an integral part hereof. Each such Schedule shall be in writing and shall indicate the subparagraph pursuant to which it is being delivered.

12.16. Tax Matters.

The parties agree to allocate the taxable income, gain, loss, deductions and credits of the Partnership for the 1999 taxable year between the existing Partners (consisting of the Class B Limited Partners and the General Partner) and Buyer on a pro rata basis, based on the ratio of (a) number of days in the year after Buyer became a Partner in the Partnership, over (b) the total number of days in the taxable year.

[Signature page to follow.]

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

T2 DEVELOPER, INC.

By: /s/ Ryan Brant

Ryan Brant, Chief Executive Officer

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Ryan Brant, Chief Executive Officer

GATHERING OF DEVELOPERS I, LTD.

By: Gathering of Developers, Inc. (a Texas corporation)
its General Partner

By: /s/ Michael S. Wilson

Michael S. Wilson
Chief Executive Officer

GATHERING OF DEVELOPERS, INC.

By: /s/ Michael S. Wilson

Michael S. Wilson
Chief Executive Officer

OPTION AGREEMENT

OPTION AGREEMENT dated as of the 8th day of February 1999 by and among T2 DEVELOPER, INC., a Delaware corporation (the "Class A Limited Partner"); TAKE-TWO INTERACTIVE SOFTWARE, INC., a Delaware corporation ("T2"); GATHERING OF DEVELOPERS, INC., a Texas corporation ("Gathering"); and each limited partner of Gathering of Developers I, Ltd., a Texas limited partnership (the "Partnership") set forth on Schedule A (individually, a "Class B Limited Partner" and collectively, the "Class B Limited Partners").

WITNESSETH:

WHEREAS, Gathering is the sole general partner of the Partnership (hereinafter referred to as the "General Partner"); and

WHEREAS, the Class B Limited Partners are the owners of all of the issued and outstanding limited partnership interests of the Partnership, other than those interests held by T2, the Class A Limited Partner or any affiliate of either or any heirs, transferees or heirs thereof (the "Class B Limited Interests"); and

WHEREAS, the Class B Limited Partners, Gathering and the Class A Limited Partners have amended and restated the Agreement of Limited Partnership of the Partnership (the "Amended and Restated Partnership Agreement"); and

WHEREAS, the General Partner and the Class B Limited Partners desire to grant to the Class A Limited Partner the option to purchase the General Partner's and each Class B Limited Partner's respective interests in the Partnership (collectively, the "Partnership Interests"); and

WHEREAS, the Class A Limited Partner desires to grant to the Class B Limited Partners and the General Partner the option to purchase the Class A Limited Partner's interest in the Partnership in the event the Class A Limited Partner does not exercise its option to acquire the Partnership Interests;

NOW, THEREFORE, in consideration of and in reliance upon the covenants, conditions, representations and warranties herein contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby recognized, the parties hereto hereby agree as follows:

1. Purchase Option.

1.1. The General Partner and each Class B Limited Partner agrees that during the period commencing October 31, 2000 and expiring April 30, 2001 (the "First Option Period"), the Class A Limited Partner shall have the right and option to purchase all, but not less than all, of the Partnership Interests held by the General Partner and each of the Class B Limited Partners (the "Purchase Option") at an exercise price equal to the greater of (i) $16 million or

(ii) 80% of the product obtained by multiplying 12.5 by the Partnership's EBIT (as defined below) for the twelve months ending July 31, 2000.

1.2. In the event that the Class A Limited Partner has not exercised the Purchase Option during the First Option period, then during the period commencing October 31, 2001 and expiring April 30, 2002 (the "Second Option Period"; and together with the First Option Period, the "Option Period"), the Class A Limited Partner shall have the right and option to exercise the Purchase Option at an exercise price equal to the greater of (i) $21 million or (ii) 80% of the product obtained by multiplying 17.5 by the Partnership's EBIT (as defined below) for the twelve months ending July 31, 2001.

1.3. In the event that the Class A Limited Partner has not exercised either Purchase Option during the Option Period, then during the period commencing October 31, 2002 and expiring April 30, 2003, the General Partner and the Class B Limited Partners shall have the right and option but not the obligation (the "B Option") to purchase all, but not less than all, of the interests in the Partnership held by the Class A Limited Partner, T2 or any affiliate of either or any transferee, successor or heir thereof, or any equity holdings into which such interest have been converted or other holdings for which they have been exchanged (collectively, the "Class A Interest") from the Class A Limited Partner at an exercise price equal to the greater of (i) any unrecouped Advances (as defined in the Letter of Amendment to the Distribution Agreement between the Partnership, T2 (or an affiliate thereof) and other parties thereto, dated February 8, 1999) together with interest thereon at 12% per annum, which interest shall accrue from the date of the Advance plus the product obtained by multiplying 3 by the capital contribution of the Class A Limited Partner made to the Partnership, on or prior to October 31, 2002 or (ii) 20% of the product

obtained by multiplying 17.5 by the Partnership's EBIT (as defined below) for the twelve months ending July 31, 2002. The General Partner and the Class B Limited Partners shall agree among themselves as to what portion of the Class A Interest, if any, will be purchased by the General Partner and each Class B Limited Partner.

1.4. For purposes hereof, the term "EBIT" shall mean earnings of the Partnership before interest and income (federal and state) taxes computed in accordance with generally accepted accounting principles ("GAAP"), derived from the audited financial statements prepared by the Partnership's then independent certified public accountants.

1.5. The General Partner and each Class B Limited Partner hereby agrees that during the Option Period, he or it will not sell, transfer, encumber, hypothecate, pledge or otherwise dispose of ("Transfer") any Partnership Interests to any entity or party other than a party to this Agreement. The General Partner and each Class B Limited Partner agrees that transferees and newly admitted limited partners shall agree to be bound by the terms of this Agreement as a condition to admission to the Partnership. The Class A Limited Partner hereby agrees that it will not Transfer any of the Class A Interest prior to the earlier to occur of (i) its consummation of the Purchase Option or (ii) May 1, 2003, except to a party to this Agreement.

1.6. The Class A Limited Partner may exercise the Purchase Option at any time during the Option Period by delivering to the General Partner (as agent for the Class B Limited

Partners) written notice of the Class A Limited Partner's intent to exercise the Purchase Option, the applicable exercise price and a written calculation of the exercise price. Upon receipt of such notice by the General Partner, the Class B Limited Partners and the General Partner will have ten days to review the information provided by the Class A Limited Partner in its notice. If neither the General Partner nor any Class B Limited Partner notifies the Class A Limited Partner in writing prior to 5:00 p.m. New York time on the tenth day after the General Partner's receipt of the Class A Limited Partner's notice, that it objects to the calculation of the exercise price, then the General Partner and each Class B Limited Partner shall be deemed to have agreed to such calculation, whereupon, subsequent to payment to the Class B Limited Partners of the exercise price, all right, title and interest to the Partnership Interests subject to the Purchase Option shall vest in possession of the Class A Limited Partner without any further act or deed.

1.7. In the event of a dispute as to the exercise price, then the parties shall promptly submit the calculation to the independent auditors identified in paragraph 1.4 for their calculation, which shall be binding upon the parties. Payment of the exercise price shall be made within 30 days of such final calculation made by such auditors.

1.8. Upon exercise of the Purchase Option, the General Partner and each of the Class B Limited Partners shall severally, but not jointly, with respect to themselves, represent and warrant that good title to the Partnership Interests is being transferred free and clear of all Liens (as defined below) and the Class B Limited Partners shall reaffirm their respective Development and Publishing Agreements then in place with the Partnership (collectively, the "Development and Publishing Agreements") with the limited liability company or other corporate entity to which the Partnership is converted (the "LLC"). The General Partner and each Class B Limited Partner shall deliver any documents reasonably necessary to effect such transfer of interests, and the reaffirmation of the Development and Publishing Agreements with the LLC. The Class A Limited Partner, General Partner and each Class B Limited Partner shall be responsible for the payment of taxes applicable to him or it, if any, with respect to the transfer of Partnership Interests.

1.9. The General Partner and the Class B Limited Partners may exercise the B Option during the period set forth in Section 1.3 above by delivering the applicable exercise price together with a written calculation of the exercise price and of its intention to exercise its option to the Class A Limited Partner. The Class A Limited Partner may object to such calculation, and any dispute regarding the calculation shall be resolved, in the same manner as is provided above with respect to exercise of the Purchase Options. Upon exercise of the B Option, the Class A Limited Partner shall represent in writing to the General Partner and each Class B Limited Partner exercising the B Option that good title to the Class A Interest is being transferred free and clear of all Liens. The Class A Limited Partner, Class B Limited Partner and the General Partner shall each be responsible for the payment of such party's taxes applicable to it, if any, with respect to the transfer of the Class A Interest. If the Class A Limited Partner does not object to the calculation of the exercise price, or upon resolution of any dispute in accordance with this Section 1.9, all right and title to the Class A Interest shall vest in possession of the General Partner without any further act or deed.

1.10. The closing of the transactions contemplated in this Section 1 shall take place as soon as practicable after receipt of the notice specified in Sections 1.6, or 1.9, or final resolution of any dispute regarding the exercise price, at the offices of Tenzer Greenblatt LLP, at 405 Lexington Avenue, New York, New York, 10174, or at such other place as the parties may agree. Payments made pursuant to this Section 1 shall be made in cash, payable by wire transfer of immediately available funds.

1.11. Upon the exercise of either of the Purchase Options or the B Option, neither T2 or any affiliate thereof will have any right to recoup any of the Recoupment or other advance due under the Amended Distribution Agreements (as defined in the Amended and Restated Partnership Agreement) and such Recoupment shall automatically and immediately be deemed paid in full.

2. Shares. In consideration of the grant of the Purchase Option, T2 shall issue to the General Partner and the Class B Limited Partners, pro rata, on the date first set forth above an aggregate of 125,000 shares of T2 common stock (the "Common Stock"), $.01 par value per share.

3. Representations and Warranties. The General Partner and each Class B Limited Partner hereby severally represents and warrants, with respect to itself or himself, to the Class A Limited Partner and T2 as follows:

3.1. Standing and Capacity.

Such party has the right, power, legal capacity and authority to enter into this Agreement, the Amended and Restated Partnership Agreement and each of the other agreements to be executed and delivered by it or him pursuant hereto and to carry out his or its respective obligations hereunder and thereunder. This Agreement constitutes, and each agreement to be executed and delivered by such party pursuant hereto are the valid and binding obligation of such party enforceable against such party, to the extent it is a party thereto in accordance with their respective terms.

3.2. Authority.

The execution and delivery by such party of this Agreement, the Amended and Restated Partnership Agreement and of all of the agreements to be executed and delivered by it or him pursuant hereto, the performance by it or him of its or his obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of such party.

3.3. Ownership of the Partnership Interests.

Such party is the record and beneficial owner of the Partnership Interests issued in such party's name with good and marketable title to such Partnership Interests, free and clear of any liens, charges, rights, pledges, claims and encumbrances of any nature whatsoever ("Liens"), other than the Purchase Option, the B Option granted hereby and as disclosed in Section 8.2 of the Securities Purchase Agreement (as defined in the Amended and Restated Partnership Agreement). All such Partnership Interests have been duly authorized and validly issued and, subject to applicable law, are fully paid and nonassessable. Other than the Purchase Options and the B Option granted hereby, there are no outstanding options, warrants, rights, puts, calls, commitments, conversion rights, plans or other agreements of any character to which such party is a party or otherwise bound which provide for the acquisition, disposition or issuance of any issued but not outstanding, outstanding, or authorized and unissued Partnership Interests.

3.4. Noncontravention.

Neither the execution and delivery by such party of this Agreement, the Amended and Restated Partnership Agreement or of any other agreement to be executed and delivered pursuant hereto, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by any such party of any of its obligations hereunder or thereunder, will (nor with the giving of notice or the lapse of time or both would) (A) give rise to a default, or any right of termination, cancellation or acceleration, or otherwise be in conflict with or result in a loss of contractual benefits to such party under the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other material instrument or obligation to which such party is a party or by which it may be bound, or require any consent, approval or notice under the terms of any such document or instrument, or (B) violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental authority which is applicable to the Partnership or such party except where such violation would not have a material adverse effect on the Partnership, the General Partner or such party or (C) result in the creation or imposition of any Liens upon any of the Partnership Interests held by such party or the Partnership's Assets.

3.5. Information as to the General Partner and Class B Limited Partners.

None of the representations or warranties made in this Agreement or in any agreement executed and delivered by or on behalf of such party pursuant hereto are false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein contained not misleading.

4. Representations and Warranties. Each of T2 and the Class A Limited Partner represents and warrants to the General Partner and the Class B Limited Partners as follows:

4.1. Standing and Capacity.

Such party has the right, power, legal capacity and authority to enter into this Agreement, the Amended and Restated Partnership Agreement and each of the other agreements to be executed and delivered by it pursuant hereto and to carry out its respective obligations hereunder and thereunder. This Agreement constitutes, and each agreement to be executed and delivered by such party pursuant hereto are the valid and binding obligation of such party enforceable against such party, to the extent it is a party thereto in accordance with their respective terms.

4.2. Authority.

The execution and delivery by such party of this Agreement, the Amended and Restated Partnership Agreement and of all of the agreements to be executed and delivered by it pursuant hereto, the performance by it of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of such party.

4.3. Noncontravention.

Neither the execution and delivery by T2 or the Class A Limited Partner of this Agreement, the Amended and Restated Partnership Agreement or of any other agreement to be executed and delivered pursuant hereto, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by any such party of any of its obligations hereunder or thereunder, will (nor with the giving of notice or the lapse of time or both would) (A) give rise to a default, or any right of termination, cancellation or acceleration, or otherwise be in conflict with or result in a loss of contractual benefits to such party under the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other material instrument or obligation to which such party is a party or by which it may be bound, or require any consent, approval or notice under the terms of any such document or instrument, or (B) violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental authority which is applicable to the Partnership or such party except where such violation would not have a material adverse effect on the Partnership, the General Partner or such party.

5. Miscellaneous Provisions.

5.1. Execution in Counterparts.

This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate 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.

5.2. Notices.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or made as of the date delivered if delivered personally by overnight courier or mailed by express, registered or certified mail, (postage prepaid, return receipt requested), or by facsimile transmittal, confirmed by express, certified or registered mail, as follows:

If to T2 or the Class A Limited Partner to:	Take-Two Interactive Software, Inc. 575 Broadway New York, New York Attn: Ryan Brant
Copy to:	Tenzer Greenblatt LLP 405 Lexington Avenue New York, NY 10174 Attn: Barry S. Rutcofsky, Esq.
If to the Partnership, the General Partner or the Class B Limited Partners:	Gathering of Developers I, Inc. 2700 Fairmount Street Dallas, Texas 75201 Attn: General Partner
Copy to:	Thompson & Knight 1700 Pacific Avenue, Ste. 3300 Dallas, Texas 75201 Attn: J. Holt Foster, III, Esq.

or to such other address as any party shall have designated by like notice to the other parties hereto (except that a notice of change of address shall only be effective upon receipt).

5.3. Governing Law.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without regard to its choice of law principles with a forum and venue of New York County, New York.

5.4. Amendment.

This Agreement may only be amended by a written instrument executed by each of the parties hereto.

5.5. Entire Agreement.

This Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

5.6. Assignment.

Neither this Agreement nor any rights, interests or obligations hereunder may be assigned (by operation of law or otherwise) by any party hereto without the prior written consent of all of the parties hereto.

5.7. Binding Effect; Benefits.

This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns. Nothing herein contained, express or implied, is intended to confer upon any person other than the parties hereto and their respective heirs, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

5.8. Waiver, etc.

The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Agreement or any provision hereof or the right of any of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach shall be construed or deemed to be a waiver of any other or subsequent breach.

5.9. Severability.

Any provision of this Agreement which is held by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction(s) shall be, as to such jurisdiction(s), ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

5.10. Announcements.

Each of the parties shall hereto consult with each other prior to the issuance of any press release or otherwise divulging the existence of this Agreement, its contents, or the transactions contemplated hereby, and none of the parties hereto shall issue any such press release or make any such statement prior to such consultation, except as may be required by applicable law or the applicable rules or regulations of NASDAQ or any other stock exchange.

5.11. Announcements.

Capitalized terms used herein shall have the meanings as assigned to such terms herein and shall not necessarily have the definitions as assigned to such terms in the Partnership Agreement.

[Signature page to follow.]

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

T2 DEVELOPER, INC.

By: /s/ Ryan Brant

Ryan Brant,
Chief Executieve Officer

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Ryan Brant,
Chief Executive Officer

GATHERING OF DEVELOPERS I, LTD.

By: Gathering of Developers, Inc.
(a Texas corporation)
its General Partner

By: /s/ Michael S. Wilson

Michael S. Wilson,
Chief Executive Officer

GATHERING OF DEVELOPERS, INC.

By: /s/ Michael S. Wilson

Michael S. Wilson,
Chief Executive Officer

LIMITED PARTNERS:

/s/ Michael S. Wilson

Michael S. Wilson

/s/ Harry A. Miller, IV

Harry A. Miller, IV

/s/ Binu Philip

Binu Philip

/s/ Allan Blum

Allan Blum

/s/ J. Holt Foster, III

J. Holt Foster, III

/s/ Jim E. Bloom

Jim E. Bloom

/s/ Eric Stults

Eric Stults

/s/ Doug Myres

Doug Myres

APOGEE SOFTWARE, LTD./3D REALMS, INC.

By: /s/ Scott Miller

Scott Miller,
Partner

POPTOP SOFTWARE, INC.

By: /s/ Phil Steinmeyer

Phil Steinmeyer,
President

STRATEGIC MARKETING PARTNERS, INC.

By: /s/ W.C. Mitschrich

W.C. Mitschrich,
President

RITUAL ENTERTAINMENT, INC.

By: /s/ Mark Dochtermann

Mark Dochtermann,
President

TERMINAL REALITY, INC.

By: /s/ Brett Combs

Brett Combs,
Vice President

EPIC MEGAGAMES, INC.

By: /s/ Nigel Kent

Nigel Kent,
President

EDGE OF REALITY, INC.

By: /s/ Robert B. Cohen

Robert B. Cohen,
Chief Executive Officer

February 8, 1999

Gathering of Developers I, Ltd.
2700 Fairmount
Dallas, Texas 75201

Gentlemen:

WHEREAS, Take-Two Interactive Software, Inc. ("T2") and Gathering of Developers I, Ltd. ("Gathering") have previously entered into that certain Software Distribution Agreement dated as of May 27, 1998 (the "Distribution Agreement") and Gathering has entered into that Heads of Agreement among Terminal Reality, Inc., Apogee Software, Inc., Poptop Software, Inc. and Take-Two Interactive Software Europe, Ltd., ("T2 Europe") dated as of April 6, 1998 (the "T2 Europe Agreement", together with the Distribution Agreement, referred to herein as the "T2 Agreements"); and

WHEREAS, each of the parties to the T2 Agreements desires to provide for this agreement (this "Amendment") to serve as a short form amendment to each of the Distribution Agreement and the T2 Europe Agreement;

NOW, THEREFORE, in consideration of and in reliance upon the covenants, conditions, representations and warranties contained herein and in each of the T2 Agreements and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. (a) T2 agrees to make or has made, in part, a recoupable, non-refundable advance to Gathering of an aggregate of $12.5 million (the "Advance") which has been paid or shall be payable as follows: (i) $1,467,000 paid prior to the date hereof (receipt of which is hereby acknowledged by Gathering) (Schedule A sets forth a list of games to be published by Gathering); (ii) $1,867,000 payable in immediately available funds upon execution of this Amendment; (iii) 5 equal monthly installments of $584,000, each to be paid on the first day of each calendar month immediately following execution of this Agreement commencing on March 1, 1999; and (iv) 5 equal monthly installments of $1,250,000, each to be paid on the first day of each calendar month immediately following execution of this Agreement commencing on August 1, 1999. The Advance shall be recoupable at a rate of 100% from and only from any monies (other than Advances or Second Advances due hereunder or payments made pursuant to Section 15) due and owing to Gathering by T2 or an affiliate thereof under the Distribution Agreement, the T2 Europe Agreement, and the Console Agreements (as hereinafter defined), until the Advance has been recouped in full by T2 and/or T2 Europe and/or an affiliate thereof ("Recoupment").

(b) The amount of the Advance actually paid to Gathering by T2 or an affiliate thereof shall be secured by a first priority security interest (the "Security Interest") in all of Gathering's assets (provided, however, that (except as set forth below), no security interest is being granted in those certain Amended and Restated Agreements Regarding Rights to Computer Games between Gathering and the parties thereto (the "Development Agreements")), including without limitation, Gathering's right, title and interest in all Publishing Agreements ("Publishing Agreements") between Gathering and its limited partners (the "Developers") in effect, as of the date hereof or which are executed after the date hereof, which relate to interactive software and video games published or scheduled to be published (the "Release Schedule"; attached hereto as Exhibit B) (as such Release Schedule shall be amended from time to time when software and video games are approved by Gathering for development) by Gathering on or before May 31, 2003 (the "Subject Software"), including the Subject Software listed on Schedule B; provided, however, that to the extent that a Publishing Agreement has not been entered into for a Subject Software, the Advance shall be secured by a Security Interest in the Development Agreements, only with respect to the Subject Software listed opposite such Developer's name on Schedule C; provided, further, that with respect to such Subject Software listed on Schedule C, upon execution by Gathering and the Developer thereof of a Publishing Agreement therefor, the Security Interest held by T2 or an affiliate thereof shall immediately and automatically be released and terminate (but the Security Interest in the Publishing Agreement shall survive). No Advances shall be required to be paid hereunder by T2 after April 1, 1999, unless and until Gathering has obtained executed Publishing Agreements from each of the Developers listed on Schedule C on or before April 1, 1999 and when such Publishing Agreements are executed all unpaid and previously due

Advances shall immediately be paid by T2 and future Advances shall be paid by T2 in accordance with the terms of this Amendment.

(c) Gathering hereby agrees to promptly furnish T2 with an amended Release Schedule on the first day of each calendar quarter.

(d) Notwithstanding anything to the contrary in this Amendment or the T2 Agreements or the Console Agreements, upon Recoupment in full by T2 and/or its affiliates of the Advance, with respect to any assets, property or other rights of Gathering or any security interest granted herein or therein to T2 and/or any affiliate thereof, shall terminate.

2. The definition of Game Titles in the Distribution Agreement is amended to include "All other Subject Software for the PC platform (not including add-ons, level packs or any mission pack)."

3. For each of the PC games scheduled to be published by or on behalf of Gathering on or before May 31, 2003, after the twentieth (20th) PC game is published by or on behalf of Gathering, provided Recoupment has occurred, Gathering shall have the option but not the obligation (to be exercised in writing within 15 days of the execution of the subject Publishing Agreement) to cause T2 or an affiliate thereof to pay to Gathering a non-refundable fully recoupable advance (each such Advance being a "Second Advance") of immediately available funds payable as follows: (i) $250,000 immediately upon execution by Gathering and the Developer of such game of the Publishing Agreement related thereto; (ii) $250,000 within three months of such execution; and (iii) $250,000 within 9 months after the execution of the subject Agreement. The Second Advance will be recoupable at the rate of 100% from and only from any royalties (other than Advances or payments made pursuant to Section 15 due hereunder) due and owing to the Gathering by T2 or any affiliate thereof under the Distribution Agreement, the T2 Europe Agreement and the Console Agreements. In no event shall the amount of the Second Advance exceed the actual amount of the advance paid by Gathering for such game.

4. The T2 Europe Agreement is amended to provide that the term of the agreement shall extend until May 31, 2003 and that the T2 Europe Agreement shall apply to all Subject Software for the PC platform (not including add-ons, level packs or any mission pack).

5. T2 is granted the right of first and last refusal for exclusive, worldwide publishing rights for any console version of any Subject Software (i.e., Nintendo, PlayStation, Dreamcast) for which Gathering has the publishing rights. T2's right of first and last refusal shall exist only until Recoupment and thereafter shall only be (i) a right of first refusal for all Subject Software originally published on a console platform by or on behalf of Gathering (as compared to ports of games originally published on the PC platform); and (ii) a right of first and last refusal for publishing rights with respect to any console port of any Subject Software published by or on behalf of Gathering originally published on the PC or other non-console platform. Notwithstanding anything to the contrary in this Section, (i) any refusal right granted hereunder must be exercised in writing within fifteen days of written notice by Gathering of a bona fide third party offer or shall automatically be deemed to have been waived by T2 with respect to each game; (ii) with respect to each game title, in the event that T2 does not exercise its publishing right, any subsequent offer to publish such game that is accepted by Gathering must, with respect to the royalty rate, advances, marketing budget and advertising budget for such game, be on terms which are, in the aggregate, no less favorable to Gathering than those offered in writing to Gathering by T2; and (iii) any refusal right granted pursuant to this Section shall only be with respect to console games published by Gathering and which are scheduled for release prior to May 31, 2003 (pursuant to the most current release

schedule or release schedule which is subsequently developed). Notwithstanding anything to the contrary in this Amendment, or either of the T2 Agreements or the Console Agreements, except as set forth in Section 6.5 of the Amended and Restated Agreement of Limited Partnership, neither T2 nor any affiliate thereof shall have a right to publish and/or distribute any part of any game that Gathering does not publish or distribute.

6. Subject to the terms of this Amendment, Publishing rights for Duke Nuke 'Em (Dreamcast version only), Max Payne, Railroad Tycoon II, Kiss Psycho Circus, Jazz JackRabbit (color gameboy port only) and Mud Monsters console are governed by separate agreements (collectively, the "Console Agreements").

7. For purposes of the T2 Europe Agreement, with respect to calculating "Gross Margin Revenue" for each Game unit, any deduction from the market retail price (exclusive of deductions for reasonable VAT and DDC (as defined in the T2 Europe Agreement)) of each Game unit shall in no event exceed $7.00 per unit of such Game.

8. Gathering shall have the right and option, but not the obligation, to publish in North and South America, on an exclusive basis each and any of the PC games developed by or on behalf of T2 or its affiliates (other than Mission Studios and Talonsoft) and which are scheduled to be published on or before May 31, 2003, pursuant to the most current release schedule or release schedule which is subsequently developed. With respect to each such PC title published by Gathering pursuant to this Section, the parties shall enter into a standard form publishing agreement which will provide, inter alia that (i) Gathering shall receive a 40% of net monies (calculated after credit for all returns, credits and payment of T2's distribution fee payable in accordance with Distribution Agreement) generated as a result of the sale of each unit of such title; (ii) Gathering shall be responsible for paying all reasonable advertising costs and manufacturing costs in the territory and related thereto, which Gathering in its good faith and sole discretion deems necessary to publish such game; and (iii) T2 shall pay for all distribution and development costs and expenses and any developer advances or royalties due with respect to such title and assume all liabilities related thereto. Gathering's option right must be exercised in writing within fifteen days of written request by T2 or shall automatically be deemed to have been waived by Gathering.

9. The advances due prior to the date hereof under the Distribution Agreement and the T2 Europe Agreement are included in the Advance set forth in Section 1. The advance payments made or to be made under the Console Agreements (other than the advance payments due to be made under the Console Agreements relating to Duke Nuke 'Em and Mud Monsters) are included in the Advance set forth in Section 1.

10. In the event that T2 fails to make a payment of all or any portion of any payment of the Advance or any Second Advance when such payment is due under any of the T2 Agreements, the Console Agreements or this Amendment and if such default remains uncured for a period of 45 days (each such default, a "Payment Default") then Gathering shall notify T2 of such failure and shall identify the game title or titles to which such payment relates.

As a result:

(a) with respect to each game title that is so identified and for which Gathering has paid to the developer of such game at least 50% of the development advances due to such developer pursuant to the Publishing Agreement/Development Agreement between such developer and Gathering, then T2 (or the breaching affiliate thereof) shall have until 120 days prior to the date that such game is scheduled, as of the date of the breach, to be commercially released to cure such breach. In the event that such default is not cured as set forth above, (i) such game shall no longer be deemed subject to the terms of this Amendment or any of the T2 Agreements or the Console Agreements or any ancillary documents related thereto (including, without limitation, any Security Interest related thereto provided that the Security Interest shall attach to the proceeds realized by Gathering from the sale or transfer of such rights to a third party); and (ii) if the game is published or distributed by a third party and the advances paid by Gathering relating to such game are not recovered by Gathering from such third party, then an amount of the unrecouped portion of the Advance or Second Advance equal to such unrecouped portion of the advance paid to such developer by Gathering shall be deemed to have been recouped in full by T2 or its affiliates. Notwithstanding anything to the contrary contained in this Amendment, or either of the T2 Agreements or the Console Agreements, (a) if the game is so published or distributed by a third party and Gathering does receive payments from such third party, then T2 (or its affiliates) shall be entitled to recoup an amount of the unrecouped portion of the Advance or the Second Advance equal to the development advances paid by Gathering to the developer of such game and which are so recovered by Gathering from such third party or, (b) if Gathering publishes the game, T2 shall be entitled to recoup as recoupment of the unrecouped portion of the Advance and the Second Advance the entire advance paid by the Gathering for such game.

(b) With respect to each game title that is so identified and for which Gathering has paid to the developer of such game less than 50% of the development advances due to such developer pursuant to the Publishing Agreement/Development Agreement between such developer and Gathering, then T2 (or the breaching affiliate thereof) shall have 45 days from the date that such payment was due to cure such breach, in full, and if not cured (i) such game shall no longer be deemed subject to the terms of this Amendment, any of the T2 Agreements or the Console Agreements

or any ancillary documents related thereto (including, without limitation, any Security Interest related thereto); and (ii) if the game is published or distributed by a third party or the advances relating to such games are not recovered by Gathering, then the portion of the Advance allocated by Gathering to such game and paid to such developer by Gathering shall be deemed to have been recouped in full by T2 or its affiliates. Notwithstanding anything to the contrary in this Amendment, or either of the T2 Agreements or the Console Agreements, (a) if the game is so published or distributed by a third party and Gathering does receive payments from such third party, then T2 (or its affiliates) shall be entitled to recoup the unrecouped portion of the Advance or the Second Advance equal to the development advances paid by Gathering to the developers for such game and which are so recovered by Gathering from such third party or, (b) if the Gathering publishes the game, T2 shall be entitled to recoup the entire advance paid by the Gathering as a recoupment of the unrecouped portion of the Advance or the Second Advance.

(c) If Gathering shall receive a notice of default or termination from a developer it shall forward such notice immediately to T2. In addition, with respect to a Publishing Agreement for Subject Software entered into after the date hereof, Gathering shall include a provision in the Publishing Agreement with each Developer providing that such Developer shall provide any such default or termination notice to T2 directly at 575 Broadway, New York, NY 10012, Attention: Ryan Brant, as set forth on Schedule D attached hereto.

(d) Notwithstanding any provisions of Section 10 (a) or (b) to the contrary, in the event of a default by T2, T2 Europe or an affiliate thereof in paying any portion of the Advance due hereunder or under any of the T2 Agreements or the Console Agreements and T2 and/or Gathering receive a termination or default notice from a developer, T2 shall have the right to pay a portion of the Advance which may be due, as long as payment is made prior to the date on which T2's right in such game would otherwise terminate under paragraphs 10(a) or 10(b) above, and direct Gathering to pay to the developer the necessary payments to cure such default or notice of termination. If such partial payments are made and they are sufficient to cure the payment default by Gathering to the Developer, then such game shall still be subject to all of T2's rights hereunder, including, without limitation, the right to publish and/or distribute such game, the right to recoup the portion of the Advance allocable to such game and the right to retain a security interest in the Publishing Agreement relating to such game.

11. T2 agrees that the reporting standards attached hereto as Exhibit A shall be incorporated as promptly as possible, but in no event later than February 15, 1999, and such reports shall be made available to Gathering as Gathering may, from time to time request.

12. Gathering shall have the right to advertise, market, distribute, sell or otherwise use ("Use") its products through OEM/Bundling sales, internet direct sales, catalogs and hobby stores and such Use shall, by definition, be deemed not to be in violation of any rights granted by or on behalf of Gathering or its affiliates pursuant to either of the T2 Agreements, this Amendment or the Console Agreements. With respect to the T2 Europe Agreement or the Console Agreements, T2 neither has nor shall have any OEM bundling rights, provided, however, that, until Recoupment, Gathering agrees it shall not publish or authorize others to publish or distribute any games subject to the terms hereof in an OEM "bundle", prior to the 90th day after the release of such game by T2, without the prior consent of T2 or an affiliate thereof, such consent not to be unreasonably withheld. In the event that Gathering does not receive from T2 or an affiliate thereof written rejection of a specific request by Gathering to license an OEM/Bundle, such consent automatically shall be deemed to have been given by T2.

13. In the event of any bankruptcy, insolvency, liquidation or reorganization of Gathering (a "Transition Event"),

(a) With respect to each game title to be distributed and/or published pursuant to this Amendment or any of the T2 Agreements or Console Agreements and for which Gathering has paid to the developer of such game at least 50% of the development advances due to such developer pursuant to the Publishing Agreement/Development Agreement between such developer and Gathering; T2 or an affiliate thereof and the developer thereof shall be obligated to publish such title (and be subject to the benefits and obligations (as more fully set forth below) of such agreement) in accordance with the terms and conditions as set forth in the Publishing Agreement/Development Agreement (each such agreement, an "Assumed Agreement") pertaining to such game between Gathering and such developer in effect immediately prior to such Transition Event; provided, however, with respect to games which have already been shipped commercially, T2 shall only be obligated to fulfill and shall only assume Gathering's obligations under the Assumed Agreement to be performed after the date on which T2 assumes the Assumed Agreement (i.e., T2 or its affiliates shall not assume and shall not be liable for the payment of royalties or other amounts with respect to any sales of games made prior to the date of T2 or its affiliates assumption, except to the extent that T2 or its affiliate actually receive proceeds from such sales) except for an aggregate of $750,000 which T2 will make available to Developers on a pro rata basis (based on advances due to such Developers) for past due advances not paid by Gathering on games subject to Assumed Agreements; provided, further that if the game to which the Assumed Agreement relates has not yet been shipped commercially, then T2 shall have the option to assume the Assumed Agreement (to be exercised within the later of 15 days of the Transition Event or decision by the Court having jurisdiction over the Gathering to permit T2's exercise of such right), and in the

event of such assumption T2 shall be obligated to assume all of Gathering's obligations past, present, and future pursuant to the Assumed Agreement; provided, further, that T2 shall not incur any liabilities to the developer for payments received by Gathering and not remitted by Gathering to the developer or the remittance of royalties to the developer for territories in which a third party (other than a T2 affiliate) has entered into a publishing or distribution agreement for such game with Gathering;

(b) with respect to each game title to be distributed and/or published pursuant to this Amendment or any of the T2 Agreements or the Console Agreements and for which Gathering has paid to the developer of such game less than 50% of the development advances due to such developer pursuant to the publishing agreement between such developer and Gathering, such developer shall be free to distribute/publish such game through any means it deems necessary and such game shall no longer be subject to the terms of this Amendment or any of the of the T2 Agreements or the Console Agreements or any ancillary documents (including any security interest therein) related thereto; provided, however, that until Recoupment such developer pays to T2 or an affiliate thereof an amount equal to the unrecouped, non-refundable advance against royalties that has been paid by Gathering to the developer of such game pursuant to the Publishing Agreement pertaining to such game and only to the extent necessary to achieve Recoupment or recoupment of a Second Advance for such game and upon such payment, any security interest held by T2 or an affiliate thereof relating to any agreement between the developer of such game and Gathering pertaining to such game shall automatically and immediately be released; and

(c) In the event of a Transition Event, T2 and its affiliates right to Recoupment or its right to recoup a Second Advance shall be limited with respect to each game subject to an Assumed Agreement to the unrecouped advance made by Gathering to the Developer under the Assumed Agreement and such game shall not be cross-collateralized with any other game.

14. Except as set forth herein, each of the T2 Agreements and the Console Agreements shall remain in full force and effect. In the event that there is a conflict between this Amendment and any of the T2 Agreements or the Console Agreements, this Amendment shall control. This Amendment together with the T2 Agreements and the Console Agreements constitute the entire agreement of the parties hereto with respect to the subject matter thereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter thereof and can only be amended by a written instrument executed by each of the parties hereto.

15. If Gathering is, pursuant to its Publishing Agreements responsible for paying manufacturing costs or costs of goods sold, T2 shall upon request of Gathering advance not to

exceed $5.00 per unit or $1 million in the aggregate per product, unless mutually agreed to. Any agreement by T2 to advance such costs shall be evidenced by a separate written agreement. All such manufactured goods and cost of goods sold shall be 100% recoupable with a priority over recoupment of the Advance.

16. Any lawsuit, arbitration or other dispute relating to or arising out of either of the T2 Agreements, the Console Agreements or this Amendment shall be resolved in accordance with the laws of the State of Texas, with a forum and venue of Dallas County, Texas.

17. Notwithstanding anything to the contrary in this Amendment, the T2 Agreements or Console Agreements, in the event that any payment or notice to be made to, by or on behalf of Gathering to or by either of T2, T2 Europe or an affiliate of either, the giving of such notice or payment of such obligation by, to or on behalf of Gathering to or by T2 or any affiliate thereof shall be deemed proper notice or full payment of such obligation to Gathering on the one hand, or T2 or any other T2 affiliate, on the other hand.

18. Notwithstanding anything to the contrary in any of the T2 Agreements or the Console Agreements, with respect to any game to be published and/or distributed pursuant thereto, in the event that Gathering notifies T2 or an affiliate thereof that the anticipated release date for such game shall be later than expected at least 60 days prior to the release date anticipated for such game, Gathering shall not be deemed to be in default of any of the terms, conditions or other obligations as set forth in the agreements pertaining to such game. The Delivery Date for any game subject to the T2 Europe Agreement shall be deemed to be 60 days after such game is delivered under the Distribution Agreement unless otherwise agreed to by the parties.

19. Notwithstanding anything to the contrary in any agreements between Gathering, on the one hand, and T2 or an affiliate thereof, on the other hand, upon the payment of the exercise price of the B Option to T2 or an affiliate thereof pursuant to the terms of that certain Option Agreement dated February 8, 1999, by and between T2 and Gathering, any rights of T2 or any affiliate thereof to recoup any of the Recoupment or any Second Advance, the Advance or other advances due under this Amendment or any of the T2 Agreements or Console Agreements shall immediately and automatically be terminated and such payments shall be deemed to have been made in full.

20. T2 Europe agrees to make available to Gathering office space and office facilities as shall be reasonably requested by Gathering. T2 agrees in the event it forms a subsidiary or

advisory board for the purpose of overseeing development of PC games it shall appoint a representative of Gathering as a member of the board of directors of such subsidiary or to the advisory board.

21. IN NO EVENT SHALL ANY PARTY HERETO OR ANY OF THEIR RESPECTIVE AFFILIATES BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY CONSEQUENTIAL DAMAGES, LOSS OF PROFITS, LOSS OF BUSINESS OPPORTUNITY, INCIDENTAL DAMAGES OR ANY SIMILAR DAMAGES AS A RESULT OF ANY DEFAULT HEREUNDER. NO REMEDIES SET FORTH HEREIN SHALL BE DEEMED TO BE EXCLUSIVE AND THE NON-BREACHING PARTY SHALL BE FREE TO PURSUE ANY AND ALL REMEDIES UNDER APPLICABLE LAW AND SUBJECT TO THIS SECTION 21. IN NO EVENT SHALL ANY PARTY'S LIABILITY FOR DAMAGES HEREUNDER EXCEED THE TOTAL AMOUNT OF THE ADVANCES AND THE SECOND ADVANCES.

IN WITNESS WHEREOF, this Amendment has been executed and delivered by the parties hereto as of the date first written above.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Name: Ryan Brant,
Title: Chief Executive Officer

TAKE TWO INTERACTIVE SOFTWARE
EUROPE, LTD

By: /s/ Ryan Brant

Name: Ryan Brant
Title: Chief Executive Officer

GATHERING OF DEVELOPERS I, LTD.

By: Gathering of Developers, Inc.
(a Texas corporation)
its General Partner

By: /s/ Michael S. Wilson

Michael S. Wilson,
Chief Executive Officer

POPTOP SOFTWARE, INC.

By: /s/ Phil Steinmeyer

Name: Phil Steinmeyer,
Title: President

TERMINAL REALITY, INC.

By: /s/ Brett Combs

Name: Brett Combs,
Title: Vice President

APOGEE SOFTWARE, INC./
3D REALMS

By: /s/ Scott Miller

Name: Scott Miller,
Title: President

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REVOLVING CREDIT AGREEMENT

dated as of February 16, 1999,

by and among

JACK OF ALL GAMES, INC.,

NATIONSBANK, N.A.,

THE PROVIDENT BANK,

and

NATIONSBANK, N.A., as Agent

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EXHIBITS

THIS REVOLVING CREDIT AGREEMENT is made as of this 16th day of February, 1999, by and among JACK OF ALL GAMES, INC. (the "Company"), a New York corporation, with an office located at 14-20B 129th Street, College Point, New York 11356, NATIONSBANK, N.A. ("NationsBank"), a national banking association, with an office located at 1111 East Main Street, Richmond, Virginia 23219, THE PROVIDENT BANK ("Provident"), an Ohio banking corporation, with an office located at One East Fourth Street, Cincinnati, Ohio 45202 (NationsBank and Provident are referred to hereinafter individually as a "Lender" and collectively as the "Lenders"), and NATIONSBANK, N.A., as agent for the Lenders (in such capacity, the "Agent").

The Company has applied to the Lenders for a revolving credit facility of up to $35,000,000 through and including September 30, 1999, and up to $45,000,000 thereafter, the proceeds of which will be used by the Company to refinance existing indebtedness, for working capital and for other general corporate purposes. The Company has also applied to NationsBank for (1) a swingline facility of up to $3,000,000, the proceeds of which will be used by the Company for daily, short-term borrowing needs, and (2) a letter of credit subfacility under which NationsBank will issue (and each Lender will participate in) letters of credit for the account of the Company. Upon the terms and subject to the conditions contained herein, the Lenders are willing to make such a revolving credit facility and NationsBank is willing to make such a swingline facility and letter of credit subfacility available to the Company.

ACCORDINGLY, the Company, the Lenders and the Agent agree as follows:

SECTION 1
DEFINITIONS

1.1 Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"Accounts Receivable" means all of the Company's accounts, accounts receivable and receivables arising from the sale of goods and/or the providing of services by the Company or its predecessors in the ordinary course of business.

"Advance" means an advance of Revolving Credit Loans made by the Lenders to the Company under the Revolving Credit Facility as provided in Section 2.1 and/or an advance of Swingline Loans made by NationsBank to the Company under the Swingline Facility as provided in Section 2.3, as the context may require.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by or is under common control

with such Person.

"Agent" means NationsBank, N.A. in its capacity as agent for the Lenders hereunder.

"Agent's Account" means the account maintained by the Agent at NationsBank, N.A. for the purposes of this Agreement or such other account as may be specified by the Agent.

"Aggregate Revolving Credit Commitment" means the sum of the Revolving Credit Commitments, as they may be reduced from time to time pursuant to Section 2.5. As of the Closing Date, the Aggregate Revolving Credit Commitment equals (i) $35,000,000 from and including the Closing Date through and including September 30, 1999, and (ii) $45,000,000 thereafter.

"Agreement" means this Revolving Credit Agreement, as it may be extended from time to time and as it may be amended from time to time by written agreement, in each case as herein provided.

"Applicable Margin" (i) means .50% through and including the first day of the month following receipt by the Agent of financial statements of the Company pursuant to Section 6.1(a) as of and for the period ending January 31, 1999, and (ii) thereafter will be determined by reference to the Funded Debt to EBITDA Ratio in accordance with the following table:

Funded Debt to EBITDA Ratio	Applicable Margin
Higher than 3.0 to 1	.50%
Equal to or lower than 3.0 to 1 but higher than 2.0 to 1	.25%
Equal to or lower than 2.0 to 1	0%

The Applicable Margin will be automatically adjusted as of the first day of the month following receipt by the Agent of financial statements of the Company pursuant to Section 6.1(a), Section 6.1(b) or Section 6.1(c) demonstrating to the Agent's reasonable satisfaction that there has been a change in the Funded Debt to EBITDA Ratio for two (2) consecutive fiscal quarters of the Company which would cause a change in the Applicable Margin in accordance with the preceding table. Any such change will apply to the Loans outstanding on such effective date or made on or after such date.

"AutoBorrow Service Agreement" means an AutoBorrow Service Agreement between the Company and NationsBank, substantially in the form of Exhibit F attached hereto with the blanks therein appropriately completed.

"Borrowing Base Certificate" means a certificate, substantially in the form of Exhibit G attached hereto with the blanks therein appropriately completed, listing the Net Eligible Accounts Receivable, the Eligible Inventory and the Collateral Loan Value as of the last day of the most recently ended accounting month of the Company and showing changes therein from the most recent Borrowing Base Certificate previously delivered to the Lenders, the amount of the outstanding Revolving Credit Loans and the amount of the unused Aggregate Revolving Credit Commitment.

"Borrowing Base Percentage" means, for any period, the ratio, expressed as a percentage, of (i) the sum of the average daily aggregate outstanding principal amount of Revolving Credit Loans and Swingline Loans during such period and the average daily amount of outstanding L/C Obligations during such period, to (ii) the average daily Collateral Loan Value during such period (with the Collateral Loan Value for a day being equal to the Collateral Loan Value listed on the Borrowing Base Certificate most recently delivered to the Lenders).

"Business Day" means any day, other than a Saturday, Sunday or legal holiday, on which banks in Richmond, Virginia and Charlotte, North Carolina are open for the conduct of their commercial banking business.

"Capital Lease" means any lease which, in accordance with GAAP, should be capitalized on the balance sheet of the lessee.

"Capital Lease Obligations" means the aggregate amount which, in accordance with GAAP, should be reported as a liability on the balance sheet of a Person with respect to Capital Leases.

"Closing Date" means the earlier of the date on which the initial Advance under the Revolving Credit Facility or the Swingline Facility is made and the date on which the initial Letter of Credit is issued hereunder.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute, including the rules or regulations promulgated thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed to also refer to any successor sections.

"Collateral Loan Value" means, at any date, the sum of (i) eighty percent (80%) of Net Eligible Accounts Receivable as of such date, and (ii) the lesser of (x) fifty percent (50%) of Eligible Inventory as of such date, and (y) $18,000,000.

"Commercial L/C Application" shall have the meaning assigned thereto in Section 3.2(a).

"Company" means Jack of All Games, Inc., a New York corporation, in its capacity as borrower hereunder.

"Default" means any event, act or condition which, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Dividend Payment Date" shall have the meaning assigned thereto in Section 8.7.

"Dollars" or "$" means, unless otherwise qualified, dollars in lawful currency of the United States.

"EBITDA" means, for any period and without duplication, the sum of (i) Net Income for such period, and (ii) the aggregate amount deducted in determining Net Income for such period with respect to interest, taxes, depreciation and amortization.

"EBITDA to Interest Expense Ratio" means the ratio of (i) the difference between (x) EBITDA for the four-quarter period ending on the date of measurement and (y) the aggregate amount of dividends and other distributions paid by the Company to the Guarantor and any other stockholders of the Company during such four-quarter period, to (ii) Interest Expense for such four-quarter period; provided, however, that (i) for purposes of measuring this ratio for the four-quarter period ending January 31, 1999, EBITDA and Interest Expense for the one-quarter period ending January 31, 1999, will be used and will be annualized by multiplying such EBITDA and Interest Expense by four, (ii) for purposes of measuring this ratio for the four-quarter period ending April 30, 1999, EBITDA and Interest Expense for the two-quarter period ending April 30, 1999, will be used and will be annualized by multiplying such EBITDA and Interest Expense by two, and (iii) for purposes of measuring this ratio for the four-quarter period ending July 31, 1999, EBITDA and Interest Expense for the three-quarter period ending July 31, 1999, will be used and will be annualized by multiplying such EBITDA and Interest Expense by 1.33.

"Eligible Inventory" means, except as provided below, all Inventory, valued at book value. Eligible Inventory shall not include (i) work in process and supplies, (ii) Inventory financed by NationsCredit Commercial Corporation and other Inventory in which the Agent as agent for the Lenders does not have a first priority, perfected security interest (including, without limitation, Inventory in which any other lender has a security interest of higher priority than the security interest of the Agent as agent for the Lenders), (iii) Inventory on consignment, (iv) repossessed Inventory, (v) obsolete Inventory, (vi) Inventory that is not in good condition or that fails to meet government standards, and (vii) other Inventory that either Lender determines to be ineligible based on the application of commercially reasonable underwriting standards.

"Environmental Laws" means any and all federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute, including the rules and regulations promulgated thereunder, in each case as in effect from time to time. References to sections of ERISA will be construed to also refer to any successor sections.

"Event of Default" shall have the meaning assigned thereto in Section 9.

"Federal Funds Rate" means, for any date, the simple interest rate per annum (rounded upwards, if necessary to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Agent (in its individual capacity) on such day on such transactions as reasonably determined by the Agent.

"Funded Debt" means, at any date and without duplication, the sum of (i) all indebtedness for borrowed money of the Company, including, without limitation, all indebtedness of the Company evidenced by bonds, debentures, notes and other similar instruments, (ii) all obligations of the Company to pay the deferred purchase price of property or services, other than accounts payable and accrued expenses arising in the ordinary course of business, (iii) all Capital Lease Obligations of the Company and (iv) all indebtedness of any other Person secured by any security interest in or other lien on any asset of the Company or guaranteed by the Company.

"Funded Debt to EBITDA Ratio" means the ratio of Funded Debt as of the date of measurement to EBITDA for the four-quarter period ending on such date; provided, however, that (i) for purposes of measuring this ratio for the four-quarter period ending January 31, 1999, EBITDA for the one-quarter period ending January 31, 1999, will be used and will be annualized by multiplying such EBITDA by four, (ii) for purposes of measuring this ratio for the four-quarter period ending April 30, 1999, EBITDA for the two-quarter period ending April 30, 1999, will be used and will be annualized by multiplying such EBITDA by two, and (iii) for purposes of measuring this ratio for the four-quarter period ending July 31, 1999, EBITDA for the three-quarter period ending July 31, 1999, will be used and will be annualized by multiplying such EBITDA by 1.33.

"GAAP" means generally accepted accounting principles, as recognized from time to time by the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis throughout the period indicated and consistent with the prior financial practice of the applicable Person(s).

"Governmental Authority" means any government or political subdivision or any court, agency, authority, department, commission, board, bureau or instrumentality thereof.

"Guarantor" means Take-Two Interactive Software, Inc., a Delaware corporation, and the owner of 100% of the issued and outstanding capital stock of the Company.

"Guaranty" means the Guaranty Agreement dated February 16, 1999, substantially in the form of Exhibit E attached hereto with the blanks therein appropriately completed, pursuant to which the Guarantor has unconditionally guaranteed all obligations of the Company to the Lenders and the Agent.

"Hazardous Materials" means any substances or materials (i) which are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants or toxic substances under any Environmental Law, (ii) which are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise harmful to human health or the environment and are or become regulated by any Governmental Authority having jurisdiction over the matter, (iii) the presence of which requires investigation or remediation under any Environmental Law, (iv) the discharge or emission or release of which requires a permit or license under any Environmental Law, (v) which are found by a court of competent jurisdiction or by any Governmental Authority having jurisdiction over the matter to constitute a nuisance, a trespass or pose a health or safety hazard to persons or neighboring properties, (vi) which consist of underground or aboveground storage tanks, whether empty, filled or partially filled with any substance of the type listed in any other part of this definition, or (vii) which contain asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or waste, crude oil, nuclear fuel, natural gas or synthetic gas.

"Interest Expense" means, for any period, the interest expense of the Company (including, without limitation, the portion of any obligations under Capital Leases of the Company allocable to interest expense) determined in accordance with GAAP for such period.

"Inventory" means all of the inventory of the Company, including all raw materials, work in process and finished goods of every kind and character.

"Issuance Fee" means one-eighth of one percent (1/8 of 1%).

"Issuing Lender" means NationsBank, N.A., in its capacity as issuer of the Letters of Credit hereunder.

"L/C Application" means a Commercial L/C Application or a Standby L/C Application.

"L/C Fee" means one and one-half percent (1-1/2%) per annum.

"L/C Obligations" means, at any time, an amount equal to the sum of (i) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit, and (ii) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.4.

"Lenders" means NationsBank and Provident.

"Letters of Credit" shall have the meaning assigned thereto in Section 3.1.

"Loan Documents" means this Agreement, the Revolving Credit Notes, the Swingline Note, the Security Agreement, the Guaranty, the L/C Applications, the Letters of Credit and each other document, agreement and instrument executed and delivered by the Company, the Guarantor or any of their respective Subsidiaries in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as they may be amended, restated, supplemented or otherwise modified from time to time.

"Loans" means the Revolving Credit Loans and the Swingline Loans.

"Material Adverse Effect" means a material adverse effect upon (i) the business, assets, properties, liabilities, condition (financial or otherwise), results of operations or business prospects of the Company or the Guarantor, (ii) the ability of the Company or the Guarantor to perform any obligation under this Agreement or any other Loan Document to which it is a party, (iii) the legality, validity, binding effect or enforceability of any Loan Document, or (iv) the ability of the Lenders and the Agent to enforce any rights or remedies under or in connection with any Loan Document.

"Merger Transactions" means (i) the merger of Jack of All Games, Inc., an Ohio corporation, with and into Alliance Inventory Management, Inc., a New York corporation, as described in the Certificate of Merger of Jack of All Games, Inc. and Alliance Inventory Management,, Inc. dated February 1, 1999, with Alliance Inventory Management, Inc. as the surviving corporation, and (2) the change of Alliance Inventory Management, Inc.'s name to Jack of All Games, Inc.

"NationsBank" means NationsBank, N.A., a national banking association, and its successors.

"Net Eligible Accounts Receivable" means, except as provided below, all Accounts Receivable with respect to which the Company's right to receive payment is absolute and not contingent upon the fulfillment of any condition whatsoever. Net Eligible Accounts Receivable shall not include: (i) in the case of Accounts Receivable which are not covered by the Company's receivables insurance, any such Account Receivable which remains unpaid more than ninety (90) days past the date of the applicable invoice, (ii) in the case of Accounts Receivable which are covered by the Company's receivables insurance, any such Account Receivable which remains unpaid more than sixty (60) days past its due date (based on a due date of not more than sixty (60) days past the date of the applicable invoice), (iii) the portion of any Account Receivable with respect to which there exists a right of set-off or counterclaim, a defense or a discount (other than a regular discount allowed in the ordinary course of the Company's business to promote prompt payment) or with respect to which a set-off, counterclaim or defense has been asserted, (iv) any Account Receivable which arises out of a contract or order which by its terms forbids or makes void or unenforceable any assignment by the Company to the Agent as agent for the Lenders, (v) any Account Receivable which represents an obligation of an account debtor when fifty percent (50%) or more of the Accounts Receivable owing from such account debtor remain unpaid more than ninety (90) days past the date of the applicable invoice, (vi) any Account Receivable arising from a "sale on approval," "sale or return," "consignment" or any other repurchase or return agreement, (vii) the portion of the total amount of Accounts Receivable owing from any particular account debtor which exceeds fifty percent (50%) of the aggregate amount of Accounts Receivable, (viii) any Account Receivable with respect to which either Lender is not or does not continue to be satisfied with the credit standing of the applicable account debtor in relation to the amount of credit extended, (ix) any Account Receivable owing from any Affiliate, director, officer or employee of the Company, (x) any Account Receivable owing from an account debtor which is not incorporated or otherwise organized under the laws of one of the states of the United States or one of the provinces of Canada in the case of an entity or who is not a resident of the United States or Canada in the case of an individual (provided that not more than $1,500,000 of Accounts Receivable owing from Canadian account debtors may be included in Net Eligible Accounts Receivable at any given time), and (xi) any other Account Receivable that either Lender determines to be ineligible based on the application of commercially reasonable underwriting standards.

"Net Income" means, for any period, the net income (or net loss) of the Company determined in accordance with GAAP for such period.

"Notes" means the Revolving Credit Notes and the Swingline Note.

"Notice of Borrowing" means a notice, substantially in the form of Exhibit A attached hereto with the blanks therein appropriately completed, required under Section 2.2 in connection with each Advance of Revolving Credit Loans.

"PBGC" means the Pension Benefit Guaranty Corporation as created under ERISA, or any successor thereto under ERISA.

"Permitted Investments" means (i) cash, (ii) cash equivalents, (iii) certificates of deposit issued by banks that are members of the Federal Reserve System and have total assets of not less than $1,000,000,000, (iv) direct obligations of the United States of America, (v) obligations of agencies of the United States Government if the payment of all principal and interest thereof is guaranteed by the United States of America, and (vi) stock or other ownership interests in Subsidiaries.

"Person" means an individual, corporation, limited liability company, partnership, association, trust, business trust, joint venture, joint stock company, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or any other form of entity or group thereof.

"Prime Rate" means the rate which NationsBank establishes from time to time as its prime rate, with any change of interest resulting from a change in the Prime Rate being effective on the effective date of each change therein. The Company acknowledges and agrees that the Prime Rate is a reference used in determining interest rates on certain loans by NationsBank and is not intended to be the lowest rate of interest charged on any extension of credit to any customer.

"Provident" means The Provident Bank, an Ohio banking corporation, and its successors.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System of the United States, as it may be amended from time to time.

"Required Lenders" means NationsBank and Provident.

"Revolving Credit Commitment" means (i) in the case of NationsBank, $21,000,000 from and including the Closing Date through and including September 30, 1999, and $27,000,000 thereafter, and (ii) in the case of Provident, $14,000,000 from and including the Closing Date through and including September 30, 1999, and $18,000,000 thereafter, in each case as the same may be reduced from time to time pursuant to Section 2.5.

"Revolving Credit Commitment Percentage" means, (i) in the case of NationsBank, sixty percent (60%), and (ii) in the case of Provident, forty percent (40%).

"Revolving Credit Facility" means the revolving credit facility established pursuant to Section 2.

"Revolving Credit Loans" shall have the meaning assigned thereto in Section 2.1.

"Revolving Credit Notes" shall have the meaning assigned thereto in Section 2.4(a).

"Revolving Credit Termination Date" means February 28, 2001.

"Security Agreement" means the Security Agreement dated February 16, 1999, between the Company and the Agent as agent for the Lenders, substantially in the form of Exhibit D attached hereto with the blanks therein appropriately completed, pursuant to which the Company has granted the Agent as agent for the Lenders a security interest in all of the Company's accounts, inventory, equipment, general intangibles, securities and other personal property to secure all obligations of the Company to the Lenders and the Agent.

"Standby L/C Application" shall have the meaning assigned thereto in Section 3.2(b).

"Subsidiary" means, as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time, directly or indirectly, owned by such Person (irrespective of whether, at the time, capital stock or other ownership interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency).

"Swingline Commitment" means Three Million Dollars ($3,000,000.00).

"Swingline Facility" means the swingline facility established pursuant to Section 2.3.

"Swingline Loans" shall have the meaning assigned thereto in Section 2.3(a).

"Swingline Note" shall have the meaning assigned thereto in Section 2.4(b).

"Tangible Net Worth" means, at any date, the amount by which the total tangible assets of the Company exceeds the total liabilities of the Company; provided that, in calculating Tangible Net Worth, there will be excluded from total tangible assets (i) goodwill, including any amounts, howsoever designated, representing the excess of the purchase price paid for stock or assets acquired over the book value assigned thereto, (ii) patents, trademarks, service marks, trade names and copyrights, (iii) all amounts due to the Company from any Affiliate, director, officer or employee or member of any of their immediate families, and (iv) all other assets which would be classified as intangible assets in accordance with GAAP.

"Unused Commitment Fee Percentage" means .125%.

"Written" or "in writing" means any form of written communication, including communication by means of telefacsimile, telex, telecopier, telegraph or cable.

1.2 Other General Terms. (a) Section References, Etc. Unless otherwise specified, a reference in this Agreement to a particular section, subsection, schedule or exhibit is a reference to that section, subsection, schedule or exhibit of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or the plural will include the singular and plural.

(b) Defined Terms. Unless otherwise specified, all capitalized terms defined in this Agreement will have the defined meanings when used in this Agreement, the Notes, the Security Agreement, the Guaranty and the other Loan Documents or any certificate, report or other document made or delivered pursuant to this Agreement.

(c) Other References. The words "hereof," "herein," and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(d) Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not specifically defined or specified herein shall have the meanings generally attributed to such terms under GAAP as in effect on the Closing Date. In the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board, or any similar accounting body of comparable standing, or shall be recommended by the Company's or the Guarantor's certified public accountants, to the extent that such changes would modify any accounting terms used herein or in any other Loan Document or the interpretation or computation thereof, such changes shall be followed in defining such accounting terms only from and after the date the Company and the Required Lenders shall have amended this Agreement to the extent necessary to reflect any such changes in the financial covenants and other terms and conditions of this Agreement.

SECTION 2
REVOLVING CREDIT FACILITY

2.1 Revolving Credit Loans. (a) Upon the terms and subject to the conditions contained in this Agreement, each Lender severally and not jointly agrees to make loans (herein referred to collectively as the "Revolving Credit Loans") to the Company, at any time and from time to time on or after the date of this Agreement and prior to the Revolving Credit Termination Date; provided that the aggregate principal amount of all outstanding Revolving Credit Loans does not at any time exceed the lesser of (i) the Aggregate Revolving Credit Commitment, and (ii) the Collateral Loan Value (as shown on the Borrowing Base Certificate most recently delivered to the Lenders), in either case minus the sum of the aggregate principal amount of all outstanding Swingline Loans and the L/C Obligations; and provided further that the aggregate principal amount of all outstanding Revolving Credit Loans from any Lender does not at any time exceed the lesser of (i) the Revolving Credit Commitment of such Lender, and (ii) such Lender's Revolving Credit Commitment Percentage of the Collateral Loan Value (as shown on the Borrowing Base Certificate most recently delivered to the Lenders), in either case minus such Lender's Revolving Credit Commitment Percentage of the sum of the aggregate principal amount of all outstanding Swingline Loans and the L/C Obligations. Within such limits, the Company may borrow, repay and reborrow hereunder on or after the date of this Agreement and prior to the Revolving Credit Termination Date, subject to the terms, provisions and limitations set forth herein.

(b) Each Advance of Revolving Credit Loans will be made ratably by the Lenders in accordance with their respective Revolving Credit Commitment Percentages; provided, however, that the failure of any Lender to make any Revolving Credit Loan will not in itself relieve any other Lender of its obligation to lend hereunder.

2.2 Notice and Manner of Borrowing. (a) The Company will deliver to the Agent a Notice of Borrowing in connection with each requested Advance of Revolving Credit Loans (which Notice of Borrowing may be given by telecopy, telex or telegraph, or by telephone, if immediately confirmed by a written Notice of Borrowing), as early as reasonably possible and in any event prior to 11:30 a.m., Charlotte, North Carolina time, on the proposed borrowing date. Each Notice of Borrowing will specify the proposed borrowing date, which will be a Business Day, and the aggregate amount of requested Revolving Credit Loans, which will be in an aggregate principal amount of $1,000,000 or an integral multiple of $500,000 in excess thereof.

(b) Upon receipt of a Notice of Borrowing, the Agent will promptly notify each Lender by telephone, telex, or telecopy of the contents thereof, including the amount of such Lender's Revolving Credit Commitment Percentage of the requested Revolving Credit Loans. If a Notice of Borrowing is received by the Agent prior to 11:30 a.m., Charlotte, North Carolina time, the Agent will provide such notice to each Lender not later than 1:00 p.m., Charlotte, North Carolina time, on the day on which such notice is received. Subject to the satisfaction of all conditions precedent thereto as set forth herein, each Lender will, not later than 3:00 p.m.,

Charlotte, North Carolina time, on the date specified in the Notice of Borrowing, deposit to the Agent's Account, in federal or other immediately available funds, such Lender's Revolving Credit Commitment Percentage of the requested Revolving Credit Loans. Unless the Agent shall have received prior notice from a Lender (by telephone or otherwise, such notice to be promptly confirmed by telex, telecopy or other writing) that such Lender will not make available such Lender's Revolving Credit Commitment Percentage of the requested Revolving Credit Loans, the Agent may assume that such Lender has made its portion of the requested Revolving Credit Loans available to the Agent on the requested funding date in accordance with this Section 2.2(b), and the Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent such Lender shall not have made its portion of the requested Revolving Credit Loans available to the Agent, such Lender and the Company severally agree to repay to the Agent forthwith on demand (but without duplication) such corresponding amount together with interest thereon for each day from the date such amount is made available to the Company until the date such amount is repaid to the Agent (i) with respect to the Company, at the interest rate applicable at the time to the Revolving Credit Loans, or (ii) with respect to the Lender, at the Federal Funds Rate, with such rate to change as of the date of each change in the Federal Funds Rate. Such payment by the Company, however, will be without prejudice to its rights against such Lender. If such Lender shall repay to the Agent such corresponding amount together with interest, such amount so repaid shall constitute such Lender's portion of the applicable Revolving Credit Loans for purposes of this Agreement, which Revolving Credit Loans shall be deemed to have been made by such Lender on the borrowing date applicable thereto, but without prejudice to the Company's rights against such Lender.

2.3 Swingline Loans. (a) Upon the terms and subject to the conditions contained in this Agreement, NationsBank agrees to make loans (herein referred to collectively as the "Swingline Loans") to the Company at any time and from time to time on or after the date of this Agreement and prior to the Revolving Credit Termination Date; provided that the aggregate principal amount of all outstanding Swingline Loans does not at any time exceed the lesser of (i) the Swingline Commitment, and (ii) the lesser of (x) the Aggregate Revolving Credit Commitment, and (y) the Collateral Loan Value (as shown on the Borrowing Base Certificate most recently delivered to the Lenders), in each case minus the sum of the aggregate principal amount of all outstanding Revolving Credit Loans and the L/C Obligations. Within such limits, the Company may borrow, repay and reborrow under this Section 2.3(a) on or after the date of this Agreement and prior to the Revolving Credit Termination Date, subject to the terms, provisions and limitations set forth herein. If NationsBank has received written notice from a Lender that a Default or an Event of Default has occurred, no Swingline Loans will be made while such Default or Event of Default is continuing.

(b) On any Business Day, NationsBank may, in its sole discretion, give notice to the Lenders (other than NationsBank) and the Agent that the outstanding Swingline Loans will be repaid with the proceeds of an Advance under the Revolving Credit Facility (provided that such notice will be deemed to have been automatically given upon the occurrence of an Event of Default), and NationsBank will in any event not less often than once every two (2) weeks repay

the outstanding Swingline Loans with an Advance under the Revolving Credit Facility, in which case an Advance of Revolving Credit Loans will be made on the immediately succeeding Business Day by all of the Lenders ratably based upon each Lender's Revolving Credit Commitment Percentage, and the proceeds thereof will be applied directly to repay NationsBank for such outstanding Swingline Loans. Each Lender hereby irrevocably agrees to make Revolving Credit Loans upon one (1) Business Day's notice in the amount and in the manner specified in the preceding sentence and on the date specified in writing by the Agent notwithstanding (i) that the amount of such borrowing may not comply with the minimum borrowing amounts otherwise required hereunder, (ii) whether any conditions specified in Section 5 are then satisfied, (iii) whether a Default or Event of Default has occurred and is continuing, and (iv) any reduction in the Aggregate Revolving Credit Commitment after any such Swingline Loans were made. In the event that any Advance under the Revolving Credit Facility pursuant to this Section 2.3(b) cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of any bankruptcy or insolvency proceeding with respect to the Company), each Lender (other than NationsBank) hereby agrees that it will forthwith purchase from NationsBank (without recourse or warranty) a participation in the outstanding Swingline Loans as shall be necessary to cause the Lenders to share in such Swingline Loans ratably based upon their respective Revolving Credit Commitment Percentages, provided that all interest payable on the Swingline Loans shall be for the account of NationsBank until the date the respective participations are purchased and, to the extent attributable to the participations, interest shall be payable to the Lenders purchasing such participations from and after such date of purchase.

(c) Unless there is an AutoBorrow Service Agreement in effect between the Company and NationsBank (in which case it will govern the mechanics of Advances under the Swingline Facility), whenever the Company desires an Advance under the Swingline Facility, it shall deliver to NationsBank irrevocable notice thereof (which notice may be in writing, including by telecopy, telex or telegraph, or by telephone, if immediately confirmed in writing, substantially in the form of a Notice of Borrowing) not later than 3:00 p.m., Charlotte, North Carolina time, on the proposed borrowing date. Such notice will specify the proposed borrowing date, which will be a Business Day, and the principal amount of Swingline Loans requested.

2.4 Notes. (a) The obligation of the Company to repay the Revolving Credit Loans will be evidenced by the Company's revolving credit notes (the "Revolving Credit Notes") payable to the order of each of the Lenders at the office of the Agent at 101 N. Tryon Street, 15th Floor, Charlotte, North Carolina 28255, or such other place as the Agent may from time to time designate, each of which will be substantially in the form of Exhibit B attached hereto with the blanks therein appropriately completed, dated as of the date of this Agreement and payable on the Revolving Credit Termination Date, on which date the entire unpaid principal balance of the Revolving Credit Notes and all interest accrued thereon will be due and payable in full. Each Lender is hereby authorized to record on its Revolving Credit Note or on its internal records the amount and date of each Advance of Revolving Credit Loans made by it and the date and amount of each repayment of principal of Revolving Credit Loans made to it; provided that the failure

to make any such notation or any error therein will not affect the Company's obligation with respect to such Revolving Credit Loans. Absent manifest error, the information so recorded by a Lender will be prima facie evidence of the amount owed.

(b) The obligation of the Company to repay the Swingline Loans will be evidenced by the Company's swingline note (the "Swingline Note") payable to the order of NationsBank at its office at 1111 East Main Street, Richmond, Virginia 23219, or such other place as NationsBank may from time to time designate, substantially in the form of Exhibit C attached hereto with the blanks therein appropriately completed, dated as of the date of this Agreement and payable on the Revolving Credit Termination Date, on which date the entire unpaid principal balance of the Swingline Note and all accrued interest thereon will be due and payable in full. NationsBank is hereby authorized to record on the Swingline Note or on its internal records the amount and date of each Swingline Loan made by it and the date and amount of each repayment of principal of Swingline Loans made to it; provided that the failure to make any such notation or any error therein will not affect the Company's obligation with respect to the Swingline Loans. Absent manifest error, the information so recorded by NationsBank will be prima facie evidence of the amount owed.

2.5 Termination and Optional Reduction of Commitments. (a) The Revolving Credit Commitment of each Lender and the Swingline Commitment will terminate on the Revolving Credit Termination Date and the aggregate unpaid principal amount of all Revolving Credit Loans and Swingline Loans, together with all accrued and unpaid interest thereon, and all other amounts payable under this Agreement and the other Loan Document with respect to the Loans will be paid by the Company to the Agent for the account of the Lenders, the Issuing Lender or the Agent, as the case may be, on such date.

(b) The Company may, at any time upon at least three (3) Business Days' prior written notice to the Agent, terminate the Revolving Credit Commitments of the Lenders or ratably reduce the respective Revolving Credit Commitments of the Lenders to an amount not less than the sum of the aggregate principal amount of the Loans then outstanding (after giving effect to any contemporaneous prepayment thereof) and the L/C Obligations, without penalty or premium; provided that the aggregate amount of any such reduction shall be in the amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof. Such notice of termination or reduction may be in writing including by telecopy, telex or telegraph, or by telephone if promptly confirmed in writing. From the effective date of any such termination or reduction, the obligation of the Company to pay the unused commitment fee under Section 2.7(b) will thereupon correspondingly be reduced.

(c) The Company agrees to pay to the Agent for the ratable benefit of the Lenders a prepayment fee equal to one percent (1%) of the Aggregate Revolving Credit Commitment immediately prior to the effective date of termination in the event that the Company terminates the Revolving Credit Commitments of the Lenders under Section 2.5(b) above or otherwise prior

to the Revolving Credit Termination Date.

2.6 Interest. (a) The Revolving Credit Loans will bear interest at the Prime Rate plus the Applicable Margin, with such rate to change on the effective date of each change in the Prime Rate and on the effective date of each change in the Applicable Margin.

(b) The Swingline Loans will bear interest at the Prime Rate plus the Applicable Margin, with such rate to change on the effective date of each change in the Prime Rate and on the effective date of each change in the Applicable Margin.

(c) Interest on the Loans will be computed on the basis of the actual number of days elapsed over a year of 360 days. Accrued interest on the Revolving Credit Loans will be due and payable on the first day of each month, when the Revolving Credit Loans are paid in full, and on the Revolving Credit Termination Date; and accrued interest on the Swingline Loans will be due and payable on the first day of each month and on the Revolving Credit Termination Date.

(d) Any principal amount which is not paid when due and, to the extent permitted by applicable law, any installment of interest which is not paid when due will, at the option of either Lender, bear interest at a rate two percent (2%) per annum above the otherwise applicable rate.

2.7 Fees. (a) On or before the Closing Date, the Company will pay to the Agent for the ratable benefit of the Lenders a commitment fee with respect to the Revolving Credit Facility equal to $175,000, which commitment fee will be fully earned by the Lenders and non-refundable once paid.

(b) The Company will also pay to the Agent for the ratable benefit of the Lenders, on March 31, 1999, and quarterly in arrears thereafter on the last day of each calendar quarter occurring prior to the Revolving Credit Termination Date and on the Revolving Credit Termination Date, an unused commitment fee with respect to the Revolving Credit Facility. Each installment of such unused commitment fee will be equal to the product of (i) the Unused Commitment Fee Percentage, multiplied by (ii) the daily average amount during the fiscal quarter or other applicable period then ending by which (x) the Aggregate Revolving Credit Commitment exceeded (y) the sum of the aggregate principal amount of all outstanding Revolving Credit Loans and the L/C Obligations, multiplied by (iii) a fraction, the numerator of which is the number of days in the fiscal quarter or other applicable period then ending and the denominator of which is 360.

(c) The Company will also pay to the Agent for its own account, on the Closing Date and on each anniversary of the Closing Date occurring prior to the Revolving Credit Termination Date, an annual agent's fee equal to $13,500.

2.8 Purpose. The Company will use the proceeds of Advances under the Revolving Credit Facility to refinance existing indebtedness owing to NationsBank and Provident, for working capital and for other general corporate purposes, and the Company will use the proceeds of Advances under the Swingline Facility for its daily, short-term borrowing needs.

2.9 Prepayments. (a) Mandatory. If, at any time, the aggregate principal amount of all outstanding Revolving Credit Loans exceeds the lesser of (i) the Aggregate Revolving Credit Commitment, and (ii) the Collateral Loan Value (as shown on the Borrowing Base Certificate most recently delivered to the Lenders), in either case minus the sum of the aggregate principal amount of all outstanding Swingline Loans and the L/C Obligations, the Company will immediately prepay the Revolving Credit Loans, without premium or penalty, in an amount sufficient to eliminate such excess, with any such prepayment to be applied ratably to reduce each Lender's Revolving Credit Loans based on such Lender's Revolving Credit Commitment Percentage.

(b) Voluntary. The Company may prepay all or any part of the Revolving Credit Loans or the Swingline Loans at any time and from time to time without premium or penalty, with any such prepayment of the Revolving Credit Loans to be applied ratably to reduce each Lender's Revolving Credit Loans based on such Lender's Revolving Credit Commitment Percentage.

2.10 Payments and Computations. (a) Each payment of principal, interest and fees hereunder and under the Notes (including, without limitation, each reimbursement payment and other payment of principal, interest and fees with respect to any Letter of Credit) will be made not later than 11:30 a.m., Charlotte, North Carolina time, on the day when due, in federal or other immediately available funds, without setoff, deduction or counterclaim, by payment of such funds to the Agent's Account for the account of the Lenders, the Issuing Lender or the Agent, as the case may be. Amounts received after 11:30 a.m., Charlotte, North Carolina time, on any day shall be deemed received on the next succeeding Business Day with interest continuing to accrue for the ratable benefit of the Lenders until the payment is made. With respect to any such payment received for the account of the Lenders, the Agent will promptly thereafter cause to be wire transferred ratably to each Lender like funds for the account of such Lender in the amount thereof on the day such funds are deemed received by the Agent. Whenever any payment to be made under this Agreement or any Note (including, without limitation, each reimbursement payment and other payment of principal, interest and fees with respect to any Letter of Credit) shall be stated to be due on a day other than a Business Day, such payment will be made on the next succeeding Business Day with interest continuing to accrue for the ratable benefit of the Lenders until the payment is made.

(b) If at any time funds are received by and available to the Agent which are not sufficient to pay fully all amounts of principal, interest and fees then due hereunder, such funds will be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties

entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) Unless the Agent shall have received notice from the Company prior to the date on which any payment is due to the Agent for the account of the Lenders hereunder that the Company will not make such payment, the Agent may assume that the Company has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Company has not in fact made such payment, then each of the Lenders severally agrees to repay to the Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Agent, at the Federal Funds Rate, with such rate to change as of the date of each change in the Federal Funds Rate.

(d) If any Lender shall fail to make any payment required to be made by it under this Agreement, the Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Agent for the account of such Lender to satisfy such Lender's obligations under this Agreement until all such unsatisfied obligations are fully paid.

SECTION 3 LETTER OF CREDIT

3.1 Letter of Credit Facility. Upon the terms and subject to the conditions contained in this Agreement and in the applicable L/C Applications, including, without limitation, the agreements of the other Lenders contained in Section 3.6, the Issuing Lender agrees to issue irrevocable letters of credit (herein referred to collectively as the "Letters of Credit") for the account of the Company, at any time and from time to time on or after the date of this Agreement and prior to the Revolving Credit Termination Date, in an aggregate stated amount which, when added to the aggregate unpaid reimbursement obligations then outstanding under the L/C Applications, will not exceed at any time outstanding the lesser of (i) the Aggregate Revolving Credit Commitment, and (ii) the Collateral Loan Value (as shown on the Borrowing Base Certificate most recently delivered to the Lenders), in each case minus the aggregate principal amount of all outstanding Revolving Credit Loans and all outstanding Swingline Loans.

3.2 Documentation. (a) Not less than one (1) Business Day prior to the date a commercial Letter of Credit is to be issued for its account, the Company will complete, execute and deliver to the Issuing Lender (with a copy to each other Lender) an Application and Agreement for Commercial Letter of Credit (each, a "Commercial L/C Application"), each substantially in the form of Exhibit H attached hereto with the blanks therein appropriately completed, and such other documents as the Issuing Lender may reasonably require in connection therewith. Each commercial Letter of Credit issued by the Issuing Lender will be subject to the terms and conditions of the Commercial L/C Application pursuant to which it is issued as well

as the terms and conditions of this Agreement. In the event of a conflict between the provisions of a Commercial L/C Application and the provisions of this Agreement, the provisions of this Agreement will govern.

(b) Not less than one (1) Business Day prior to the date a standby Letter of Credit is to be issued for its account, the Company will complete, execute and deliver to the Issuing Lender (with a copy to each other Lender) an Application and Agreement for Standby Letter of Credit (each, a "Standby L/C Application"), each substantially in the form of Exhibit I attached hereto with the blanks therein appropriately completed, and such other documents as the Issuing Lender may reasonably require in connection therewith. Each standby Letter of Credit issued by the Issuing Lender will be subject to the terms and conditions of the Standby L/C Application pursuant to which it is issued as well as the terms and conditions of this Agreement. In the event of a conflict between the provisions of a Standby L/C Application and the provisions of this Agreement, the provisions of this Agreement will govern.

3.3 Fees. For each Letter of Credit issued under the terms of this Agreement, the Company will pay to the Issuing Lender at the time of issuance an Issuance Fee and a L/C Fee based on the stated amount and term of the Letter of Credit. Such fees will be fully earned at the time such Letter of Credit is issued and nonrefundable. The Company will also pay the Issuing Lender when due its customary administrative fees as they may be established or altered from time to time for issuing Letters of Credit and for honoring drafts thereunder and, if applicable, for transferring, amending or extending such Letters of Credit. Nothing contained herein, however, shall obligate the Issuing Lender to transfer, amend or extend beyond its original maturity date any Letter of Credit.

3.4 Reimbursement Obligations. The Company will pay to the Issuing Lender promptly upon demand any and all amounts paid by the Issuing Lender under any Letter of Credit, as provided in the applicable L/C Application, together with interest on such amount from the date such amount was paid by the Issuing Lender to the date it receives payment in federal or other immediately available funds, at the Prime Rate plus the Applicable Margin, with such rate to change as of the effective date of each change in the Prime Rate and the effective date of each change in the Applicable Margin. Such interest shall be computed for the actual number of days elapsed over a year of 360 days.

3.5 Expiration of Letters of Credit. Unless all of the Lenders otherwise agree, each commercial Letter of Credit issued under the provisions of this Agreement shall expire not later than six (6) months after its date of issuance, each standby Letter of Credit issued under the provisions of this Agreement shall expire not later than one (1) year after its date of issuance and no Letter of Credit shall expire after the Revolving Credit Termination Date.

3.6 Participation of Lenders Other Than NationsBank. (a) The Issuing Lender hereby irrevocably sells and assigns to each other Lender, and each other Lender hereby irrevocably acquires from the Issuing Lender, a risk participation in the Letter of Credit facility established pursuant to this Section 3 and in each Letter of Credit issued hereunder, and a participation in all collateral securing the L/C Obligations, equal in each case to such other Lender's Revolving Credit Commitment Percentage.

(b) Upon receiving written notice from the Issuing Lender that a beneficiary has presented a request for a drawing under a Letter of Credit (which the Issuing Lender has determined in its sole discretion to honor) which notice specifies the amount of the requested drawing and that the Company may not then borrow such amount under Section 2 of this Agreement, each other Lender agrees to pay to the Issuing Lender, in immediately available funds, its Revolving Credit Commitment Percentage of that amount by which such drawing exceeds the amount the Company may borrow under Section 2. If a Lender receives such a notice from the Issuing Lender at or before 2:00 p.m., Charlotte, North Carolina time, on the day on which the drawing is to be paid to the beneficiary, such Lender will pay its Revolving Credit Commitment Percentage of such amount to the Issuing Lender prior to the close of business on the day the drawing is paid. If a Lender receives such a notice from the Issuing Lender after 2:00 p.m., Charlotte, North Carolina time, such Lender will pay its Revolving Credit Commitment Percentage of such amount to the Issuing Lender on the Business Day next following the day on which the notice is received. Notwithstanding anything to the contrary contained in this Section 3.6(b), no Lender shall have any obligation to pay to the Issuing Lender any portion of any drawing under a Letter of Credit if such Letter of Credit was issued by the Issuing Lender after the Issuing Lender had actual knowledge of the occurrence and continuation of an Event of Default and if such Letter of Credit was issued without the prior written consent of all the Lenders; provided that, if a Lender does not pay its Revolving Credit Commitment Percentage of any drawing honored under any such Letter of Credit, such Lender shall not be entitled to receive any percentage of any L/C Fee paid by the Company with respect thereto, and, upon demand of the Issuing Lender, such Lender will immediately return to the Issuing Lender any such L/C Fee previously received by such Lender.

(c) If any Lender fails to pay its Revolving Credit Commitment Percentage of any drawing honored under a Letter of Credit when and as due under Section 3.6(b), such Lender also agrees to pay interest thereon, from and including the day on which its Revolving Credit Commitment Percentage was due under Section 3.6(b) to but excluding the day its Revolving Credit Commitment Percentage is actually paid to the Issuing Lender in immediately available funds, at a rate equal to the Federal Funds Rate, with such rate to change as of the date of each change in the Federal Funds Rate.

(d) The obligations of a Lender to pay its Revolving Credit Commitment Percentage of each drawing honored under a Letter of Credit as provided in Section 3.6(b) and to pay interest thereon as provided in Section 3.6(c) are absolute, unconditional and continuing obligations except as provided in the next sentence; and, except as provided in Section 3.6(b) and

in the next sentence, all payments required to be made by each Lender other than the Issuing Lender hereunder will be made without offset, counterclaim or deduction of any nature for any reason whatsoever, including, without limitation, any belief by such Lender that a request for a drawing under a Letter of Credit should not have been honored. Notwithstanding anything to the contrary contained in this Section 3.6(d), each Lender other than the Issuing Lender shall have the right to offset against amounts owed to the Issuing Lender hereunder any amounts owed by the Issuing Lender to such Lender under Section 3.6(e) and/or 3.6(f) which have not been paid to such Lender in violation of the terms of this Agreement at the time such Lender's payment to the Issuing Lender is due.

(e) If and when the Issuing Lender receives from the Company any payment in immediately available funds which has been designated (by invoice reference or otherwise) by the Company as, or which the Issuing Lender has otherwise determined to be, a reimbursement for a drawing honored under a Letter of Credit, or which has been designated (by invoice reference or otherwise) by the Company as, or which the Issuing Lender has otherwise determined to be, a payment of interest with respect to such a drawing, if another Lender previously paid to the Issuing Lender its Revolving Credit Commitment Percentage of such drawing, the Issuing Lender will pay to such Lender its Revolving Credit Commitment Percentage of such payment so long as such Lender has not defaulted in any of its obligations to the Issuing Lender hereunder. If the Issuing Lender receives such a payment at or before 2:00 p.m., Charlotte, North Carolina time on a day, it will pay to each such Lender its Revolving Credit Commitment Percentage of such payment prior to the close of business on such day. If the Issuing Lender receives such a payment after 2:00 p.m., Charlotte, North Carolina time on a day, it will pay to each such Lender its Revolving Credit Commitment Percentage on the next Business Day.

(f) If and when the Issuing Lender receives from the Company any payment in immediately available funds which has been designated (by invoice reference or otherwise) by the Company as, or which the Issuing Lender has otherwise determined to be, a L/C Fee due under Section 3.3 with respect to a Letter of Credit issued hereunder, the Issuing Lender will, subject to the last sentence of Section 3.6(b), pay to each other Lender its Revolving Credit Commitment Percentage thereof so long as such other Lender has not defaulted in any of its obligations to the Issuing Lender hereunder. If the Issuing Lender receives such L/C Fee at or before 2:00 p.m., Charlotte, North Carolina time on a day, it will pay to each such Lender its Revolving Credit Commitment Percentage of such L/C Fee prior to the close of business on such day. If the Issuing Lender receives such L/C Fee after 2:00 p.m., Charlotte, North Carolina time on a day, it will pay to each such Lender its Revolving Credit Commitment Percentage on the next Business Day. The Issuing Lender shall have no obligation to pay to any other Lender any portion of any Issuance Fee or any administrative fee charged to the Company for issuing any Letter of Credit, honoring drafts thereunder or transferring, amending or extending any Letter of Credit.

SECTION 4
REPRESENTATIONS

In order to induce the Lenders and the Agent to enter into this Agreement, the Lenders to make the Revolving Credit Loans, NationsBank to make the Swingline Loans and the Issuing Lender to issue (and the other Lenders to participate in) the Letters of Credit, the Company represents and warrants to the Lenders and the Agent (which representations and warranties will survive the execution of the Notes, the making of the Loans and the issuance of the Letters of Credit) that:

4.1 Subsidiaries. The Company has no Subsidiaries.

4.2 Organization and Existence. Each of the Company and the Guarantor (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) has all requisite corporate or other power and authority and all licenses and permits necessary to own or lease and operate its properties and to carry on its business as now being conducted and as hereafter proposed to be conducted unless its failure to have any license or permit could not reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect, and (iii) is duly qualified and authorized to do business and is in good standing in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization unless its failure to qualify or be authorized could not reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect.

4.3 Authority. The Company has full corporate power and authority to enter into this Agreement and the other Loan Documents to which it is a party, to make the borrowings hereunder, to execute and deliver the Notes and to incur the obligations provided for herein and therein, all of which have been duly authorized by all necessary corporate action. The Guarantor has full corporate power and authority to execute and deliver the Guaranty and to incur the obligations provided for therein, all of which have been duly authorized by all necessary corporate action. Other than those that have previously been obtained, no consent or approval of stockholders or consent or approval of, notice to or filing with any Governmental Authority is required as a condition to the validity or enforceability of this Agreement, any Note, the Security Agreement, the Guaranty or any of the other Loan Documents.

4.4 Binding Agreements. This Agreement constitutes, and each of the Notes and each of the other Loan Document to which the Company is a party when executed and delivered pursuant hereto for value received will constitute, the valid and legally binding obligations of the Company enforceable in accordance with their respective terms, except to the extent such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and moratorium laws and similar laws relating generally to the enforcement of creditors' rights. The Guaranty when executed and delivered by the Guarantor pursuant hereto for value received will

constitute the valid and legally binding obligation of the Guarantor enforceable in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and moratorium laws and similar laws relating generally to the enforcement of creditors' rights.

4.5 Litigation. There are no proceedings pending or, to the knowledge of the Company, threatened before any court or administrative agency that could reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect.

4.6 No Conflicting Agreements. There is no charter, bylaw or preference stock provision of the Company and no provision of any existing mortgage, indenture, contract or agreement binding on the Company or affecting its property that would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement, any of the Notes or any of the other Loan Documents to which the Company is a party. There is no charter, bylaw or preference stock provision of the Guarantor and no provision of any existing mortgage, indenture, contract or agreement binding on the Guarantor or affecting its property that would conflict with or in any way prevent the execution, delivery or carrying out of the terms of the Guaranty.

4.7 Financial Condition. The audited consolidated balance sheet of the Guarantor and its Subsidiaries as of October 31, 1998, the related consolidated statements of income, retained earnings and cash flows for the period then ended, and the consolidating schedules included therewith, certified by Price Waterhouse Coopers, heretofore delivered to each Lender, are complete and correct in all material respects and fairly present the consolidated financial condition of the Guarantor and its Subsidiaries and the results of their operations and changes in their financial position as of the date and for the period referred to therein and have been prepared in accordance with GAAP. There are no material liabilities, direct or indirect, fixed or contingent, of the Guarantor or the Company as of the dates of such balance sheet that are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Guarantor or the Company since the dates of such balance sheet, and there has been no other material adverse change in the Guarantor or the Company.

4.8 Ownership of Property. Each of the Company and the Guarantor has good and valid fee simple or leasehold interests in all land and other real estate, and has good and valid title to all other properties and assets it purports to own, including those referred to in the financial statements referred to in Section 4.7, except for defects in title which could not reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect. Each of the Company and the Guarantor enjoys undisturbed possession to the extent required under all leases to which it is a party necessary in any material respect for the operation of its business or properties. All such leases are valid and subsisting and are in full force and effect and, to the knowledge of the Company, no default or event of default exists thereunder.

4.9 Intellectual Property. Without limiting the generality of Section 4.8, each of the Company and the Guarantor owns and possesses rights to use all franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, trade names, trade name rights, copyrights and other intellectual property rights which are required to conduct its business, except in cases in which a failure to own or possess any such rights could not reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect. To the knowledge of the Company, no event has occurred which permits, or after notice or lapse of time, or both, would permit, the revocation or termination of any such rights, and, to the knowledge of the Company, except as described on Schedule 4.9 attached hereto, neither the Company nor the Guarantor is liable to any Person for infringement under any applicable law with respect to any such rights as a result of its business operations, except in cases in which any such revocation, termination or liability could not reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect.

4.10 Employee Benefit Pension Plans. No fact, including, but not limited to, any Reportable Event as defined in Section 4043 of ERISA, exists in connection with any employee benefit plan of the Company or the Guarantor covered by ERISA (including any plan of any member of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with the Company or the Guarantor, are treated as a single employer, under Section 414 of the Code), which could constitute grounds for the termination of any such plan by the PBGC or for the appointment of any trustee to administer such plan by the appropriate United States District Court.

4.11 Taxes. Each of the Company and the Guarantor has filed or caused to be filed all tax returns which are required to be filed by it pursuant to applicable law. Each of the Company and the Guarantor has paid, or made provisions for the payment of, all taxes, assessments, fees and other governmental charges which have or may have become due pursuant to those returns or otherwise, or pursuant to any assessment received by it, except such taxes that are being contested in good faith and by appropriate proceedings and as to which adequate reserves (determined in accordance with GAAP) have been provided, and no tax liens have been filed. To the knowledge of the Company, no claims are being asserted against the Company or the Guarantor with respect to any such taxes, fees or other charges, except such claims that are being contested in good faith and by appropriate proceedings and as to which adequate reserves (determined in accordance with GAAP) have been provided.

4.12 Compliance with Environmental and Other Laws. Each of the Company and the Guarantor is in compliance with all applicable laws, including but not limited to all Environmental Laws, the failure to comply with which could reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect. To the knowledge of the Company, there are no past or present events, conditions, circumstances, activities, practices, incidents, actions or plans which could reasonably be expected to interfere with or prevent continued compliance in all material respects, or which could reasonably be expected to give rise to any common law or statutory liability, under, relating to or in connection with any

Environmental Law, or otherwise form the basis of any claim, action, suit, proceeding, hearing or investigation under applicable law based on or related to the manufacture, processing, distribution, use, treatment, storage, transport or handling, or the release or threatened release into the environment, of any Hazardous Material with respect to the Company or the Guarantor or their respective businesses which could reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect.

4.13 Employee Relations. As of the Closing Date, neither the Company nor the Guarantor is a party to any collective bargaining agreement nor has any labor union been recognized as the representative of any employees of the Company or the Guarantor. Neither the Company nor the Guarantor is aware of any pending, threatened or contemplated strikes, work stoppages or other collective labor disputes involving its employees.

4.14 Investment Company Act; Public Utility Holding Company Act; Federal Power Act. Neither the Company nor the Guarantor is required to register under the provisions of the Investment Company Act of 1940, as amended, and neither the entering into or performance by the Company of this Agreement or any other Loan Documents, or the issuance of the Revolving Credit Notes or the Swingline Note, violates any provisions of such Act or requires any consent, approval or authorization of, or registration with, any Governmental Authority pursuant to any of the provisions of such Act. The Company is not (i) a "holding company" or a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, or (ii) a "public utility," as such term is defined in the Federal Power Act, as amended.

4.15 No Defaults. Neither the Company nor the Guarantor is in default in the payment of the principal of or any interest on any indebtedness for borrowed money and, to the knowledge of the Company, neither the Company nor the Guarantor is otherwise in default under any instrument under or subject to which any such indebtedness for borrowed money has been incurred, and, to the knowledge of the Company, no event has occurred under the provisions of any such instrument which, with the giving of notice or the lapse of time, or both, would constitute an event of default thereunder.

4.16 Federal Regulations. No part of the proceeds of any of the Loans has been or will be used by the Company for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U or for any other purpose which violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System. If requested by the any Lender or the Agent, the Company will furnish to the Lenders and the Agent a statement to the foregoing effect in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U.

4.17 Accuracy of Information. No information, exhibit or report furnished by the Company or the Guarantor to any of the Lenders or the Agent in connection with the negotiation of this Agreement or any of the other Loan Documents contains any material misstatement of fact or omits to state any material fact necessary to make the statement contained therein, in light of the circumstances under which such statement was made, not misleading, and the Company has no knowledge of any fact that the Company has not disclosed to the Lenders and the Agent in writing that could reasonably be expected to result in a Material Adverse Effect.

4.18 Year 2000 Compliance. (a) Each of the Company and the Guarantor has (i) begun analyzing its operations and those of its Subsidiaries and Affiliates that could be adversely affected by failure to become Year 2000 compliant (that is, that computer applications, imbedded microchips and other systems will be able to perform date-sensitive functions prior to and after December 31, 1999); and (ii) developed a plan for becoming Year 2000 compliant in a timely manner, the implementation of which is on schedule in all material respects. Each of the Company and the Guarantor reasonably believes that it will become Year 2000 compliant for its operations and those of its Subsidiaries and Affiliates on a timely basis except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Each of the Company and the Guarantor reasonably believes any suppliers and vendors that are material to its operations and those of its Subsidiaries and Affiliates will be Year 2000 compliant for their own computer applications except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

4.19 Survival of Representations and Warranties, Etc. All representations and warranties set forth in this Section 4 and all representations and warranties contained in any certificate or any of the other Loan Documents (including but not limited to any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date (except to the extent expressly made as of a specific date), shall survive the Closing Date, shall be deemed to be made at and as of the date each Advance is made and each Letter of Credit is issued hereunder and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lenders, or any of them, or the Agent or any extension of credit hereunder.

SECTION 5
CONDITIONS TO LOANS

5.1 Conditions to Initial Loan. The obligation of the Lenders to make the initial Advance under the Revolving Credit Facility, the obligation of NationsBank to make the initial Advance under the Swingline Facility and the obligation of the Issuing Lender to issue the initial Letter of Credit are subject to each of the following conditions precedent, or if any such condition

is waived by the Lenders as a condition to the making of such initial extensions of credit, such condition shall, at the option of the Lenders, be a condition to the making of each subsequent extension of credit hereunder:

(a) Approval of Lenders. All legal matters incident to this Agreement, including without limitation all documents and opinions, shall be satisfactory to each Lender, the Agent and counsel to the Agent.

(b) Certificates, Evidence of Corporate Action by Company, Etc. The Company shall have delivered to each Lender such closing and officer's certificates as may be reasonably requested by either Lender or the Agent, along with a certified copy of the Company's articles of incorporation and bylaws, an incumbency certificate relating to its officer(s) who will be executing on its behalf this Agreement and the other Loan Documents to which the Company is a party, a certified copy of the resolutions of its board of directors authorizing and approving the transactions described herein (and any other papers evidencing corporate action taken by the Company relating to this Agreement), and good standing or subsistence certificates related to the Company of recent date from the applicable Governmental Authorities.

(c) Certificates, Evidence of Corporate Action by Guarantor, Etc. The Guarantor shall have delivered to each Lender such closing and officer's certificates as may be reasonably requested by either Lender or the Agent, along with a certified copy of its articles of incorporation and bylaws, an incumbency certificate relating to its officer(s) who will be executing on its behalf the Guaranty, a certified copy of the resolutions of its board of directors authorizing and approving the Guaranty and the transactions described therein (and all other papers evidencing corporate action taken by the Guarantor relating to the Guaranty), and good standing or subsistence certificates relating to the Guarantor of recent date from the applicable Governmental Authorities.

(d) Opinion of Counsel. The Company shall have delivered to each Lender a favorable opinion of counsel or opinions of counsel for the Company and the Guarantor, dated as of the date of this Agreement and satisfactory in form and substance to each Lender and the Agent.

(e) Notes. The Company shall have executed and delivered to each Lender its Revolving Credit Note, and the Company shall have executed and delivered to NationsBank the Swingline Note.

(f) Security Agreement. The Company shall have executed and delivered to each Lender an original counterpart of the Security Agreement, and the Company shall have executed and delivered to the Agent financing statements in form satisfactory to the Lenders and the Agent.

(g) UCC Search Reports. The Company shall have delivered to each Lender uniform commercial code search reports addressed to and acceptable to the Agent covering the Company (and its two predecessor companies, Jack of All Games, Inc., an Ohio corporation, and Alliance Inventory Management, Inc.), for each filing office in which a financing statement in favor of the Agent as agent for the Lenders is being filed to perfect the security interests granted to the Agent for the benefit of the Lenders in the Security Agreement and for each filing office otherwise specified by either Lender, which show only such financing statements as are acceptable to the Lenders and the Agent.

(h) Guaranty. The Guarantor shall have executed and delivered to each Lender an original counterpart of the Guaranty.

(i) Initial Collateral Audit. NationsBank's Commercial Credit Services Department shall have conducted an audit of the Inventory, Accounts Receivable, books and records and procedures of the Company (and its predecessors), and the result of such audit shall have been satisfactory to each Lender.

(j) Borrowing Base Certificate. The Company shall have prepared and delivered to each Lender a Borrowing Base Certificate as of the end of December 1998, properly completed and signed by an authorized officer of the Company, a listing of Accounts Receivable as of the end of such month aged from date of invoice and an Inventory accounting as of the end of such month.

(k) Evidence of Insurance. The Company shall have delivered to each Lender evidence that the Company has in place receivables insurance with respect to the Accounts Receivable which is reasonably satisfactory to the Lenders. The Company shall also have delivered to the Lenders evidence satisfactory to the Lenders that all other insurance required by the terms of this Agreement and the other Loan Documents is in full force and effect.

(l) Merger Transactions. The Merger Transactions shall have been completed and consummated to the satisfaction of each Lender.

(m) Other Documents. The Company and the Guarantor shall have delivered to each Lender such other documents and information as may have been reasonably requested by either Lender or the Agent.

5.2 Conditions to Each Loan. The obligation of the Lenders to make each Advance under the Revolving Credit Facility (including, without limitation the first such Advance), the obligation of NationsBank to make each Advance under the Swingline Facility (including, without limitation, the first such Advance) and the obligation of the Issuing Lender to issue each Letter of Credit (including, without limitation, the first such Letter of Credit) are subject to each of the

following additional conditions precedent:

(a) Notices. With respect to any Advance under the Revolving Credit Facility, the Company shall have provided the Agent with a Notice of Borrowing as required by Section 2.2; with respect to any Advance under the Swingline Facility, the Company shall have provided to NationsBank a notice as required by Section 2.3(c); and, with respect to each Letter of Credit, the Company shall have provided to the Issuing Lender the L/C Application and other documents as required by Section 3.2.

(b) Compliance. Each of the Company and the Guarantor shall have complied and shall then be in compliance in each case in all material respects with all of the terms, covenants and conditions of this Agreement and the other Loan Documents to which it is a party.

(c) No Event of Default, Etc. No Default shall have occurred and be continuing, no Event of Default shall exist, and no Default or Event of Default would result from the making of such Advance.

(d) Representations and Warranties. The representations and warranties contained in Section 4 shall, except to the extent that they relate solely to an earlier date, be true in all material respects with the same effect as though such representations and warranties had been made at the time of the making of such Advance or advance, as applicable.

(e) No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain or prohibit, or to obtain substantial damages with respect to, or which is related to or arises out of, this Agreement or any of the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which in either Lender's sole discretion, would make it inadvisable to make such Advance or advance, as applicable.

(f) No Material Adverse Effect. No event shall have occurred that has had or will have a Material Adverse Effect.

SECTION 6
AFFIRMATIVE COVENANTS

So long as the Company may borrow under the Revolving Credit Facility or the Swingline Facility or request that the Issuing Lender issue Letters of Credit or any Letter of Credit is outstanding and until payment in full of the Loans and payment and performance of all other obligations of the Company hereunder and under the other Loan Documents:

6.1 Financial Statements of Company. The Company will furnish to each Lender:

(a) as soon as available, but in no event more than sixty (60) days after the end of each of the Company's fiscal quarters (other than the Company's fiscal quarter ending April 30, 1999, which is addressed in Section 6.1(b) below), a balance sheet of the Company as of the end of such quarter and an income statement of the Company to the end of such quarter, each in reasonable detail and in form and substance reasonably satisfactory to each Lender, prepared in accordance with GAAP and certified by the chief financial officer of the Company; with each such quarterly financial statements to be accompanied by a compliance certificate, in form and detail reasonably satisfactory to each Lender and signed by the chief financial officer of the Company, which provides a detailed calculation of the financial covenants contained herein as of the applicable fiscal quarter end and a statement as to whether the Company and the Guarantor are in compliance in all material respects with all of the terms and conditions of this Agreement and the other Loan Documents;

(b) as soon as available, but in no event more than sixty (60) days after the end of the Company's fiscal quarter ending April 30, 1999, financial statements of the Company in reasonable detail and in form and substance reasonably satisfactory to each Lender, prepared in accordance with GAAP and reviewed by certified public accountants reasonably satisfactory to each Lender, which financial statements shall include a balance sheet as of April 30, 1999, statements of income and retained earnings for the six-month period ending April 30, 1999, and a statement of cash flows for such six-month period; with such financial statements to be accompanied by a compliance certificate, in form and detail reasonably satisfactory to each Lender and signed by the chief financial officer of the Company, which provides a detailed calculation of the financial covenants contained herein as of April 30, 1999, and a statement as to whether the Company and the Guarantor are in compliance in all material respects with all of the terms and conditions of this Agreement and the other Loan Documents;

(c) as soon as available, but in no event more than one hundred five (105) days after the end of each of the Company's fiscal years, a copy of the annual financial statements of the Company in reasonable detail and in form and substance reasonably satisfactory to each Lender, prepared in accordance with GAAP and audited by certified public accountants reasonably satisfactory to each Lender, which financial statements shall include a balance sheet of the Company as of the end of such fiscal year, statements of income and retained earnings of the Company for such fiscal year, a statement of cash flows for the Company for such fiscal year, and all normal and reasonable financial notes; with each such annual financial statements to be accompanied by a compliance certificate, in form and detail reasonably satisfactory to each Lender and signed by the chief financial officer of the Company, which provides a detailed calculation of the financial covenants contained herein as of the applicable fiscal year end and a statement as to whether the Company and the Guarantor are in compliance in all material respects with all of the terms and conditions of this Agreement and the other Loan Documents;

(d) promptly upon receipt thereof, a copy of each other written report submitted to the Company by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company;

(e) as soon as possible, but in no event more than five (5) days after an executive officer of the Company obtains knowledge of a Default or an Event of Default, a certificate of the chief financial officer of the Company setting forth the details of such Default or Event of Default and the action the Company has taken or proposes to take with respect thereto;

(f) as soon as possible, but in no event more than five (5) days after an executive officer of the Company obtains actual knowledge of any actual, potential or contingent liability of the Company in excess of $100,000 which is not incurred in the ordinary course of business, a certificate of the chief financial officer of the Company describing the details of such liability and the action the Company has taken or proposes to take with respect thereto; and

(g) with reasonable promptness, such additional information, reports and statements concerning the Company or any of its businesses or properties as either Lender or the Agent may from time to time reasonably request.

6.2 Financial Statements of Guarantor. The Company will cause the Guarantor to furnish to each Lender:

(a) as soon as available, but in no event more than fifty (50) days after the end of each of the Guarantor's fiscal quarters, the quarterly report of the Guarantor for such fiscal quarter on Form 10-Q filed with the Securities and Exchange Commission;

(b) as soon as available, but in no event more than one hundred five (105) days after the end of each of the Guarantor's fiscal years, a copy of the annual consolidated and consolidating financial statements of the Guarantor and its Subsidiaries in reasonable detail and in form and substance satisfactory to each Lender, which consolidated financial statements shall be prepared in accordance with GAAP and audited by certified public accountants reasonably satisfactory to each Lender, which financial statements shall include consolidated and consolidating balance sheets of the Guarantor and its Subsidiaries as of the end of such fiscal year, consolidated and consolidating statements of income and retained earnings of the Guarantor and its Subsidiaries for such fiscal year, consolidated and consolidating statements of cash flows for the Guarantor and its Subsidiaries for such fiscal year, and all normal and reasonable financial notes;

(c) promptly upon receipt thereof, a copy of each other written report submitted to the Guarantor or any of its Subsidiaries by independent accountants in connection with any annual, interim or special audit made by them of the books of the Guarantor or any of its Subsidiaries; and

(d) with reasonable promptness, such additional information, reports and statements concerning the Guarantor, any of its Subsidiaries or any of their respective businesses or properties as either Lender or the Agent may from time to time reasonably request.

6.3 Borrowing Base and Related Information. The Company will furnish to each Lender:

(a) as soon as available, but in no event more than fifteen (15) days after the end of each month, a listing of Accounts Receivable as of the end of the preceding month aged from date of invoice, and in form and substance satisfactory to each Lender;

(b) as soon as available, but in no event more than fifteen (15) days after the end of each month, a Borrowing Base Certificate appropriately completed as of the end of the preceding month; and

(c) as soon as available, but in no event more than fifteen (15) days after the end of each fiscal quarter of the Company, an Inventory accounting as of the end of the preceding quarter in form and substance satisfactory to each Lender.

6.4 Collateral Audits; Other Inspections. (a) The Company will permit NationsBank and Provident to conduct, at the Company's expense, audits of the Inventory, Accounts Receivable, books and records and procedures of the Company; provided that, prior to the occurrence of an Event of Default, (i) audits which are at the Company's expense shall be limited to two per year for each of NationsBank and Provident, and (ii) audits shall be conducted at such times and otherwise in such a manner so as not to unreasonably disrupt the business or operations of the Company. In addition, the Company will permit each Lender and its representatives to inspect its books and records and to discuss its affairs with its officers upon reasonable notice and during normal business hours.

(b) Each Lender agrees to provide a copy of each collateral audit it conducts to the other Lender.

6.5 Year 2000 Compliance. The Company will promptly notify the Lenders and the Agent in the event it determines that any computer application which is material to the operations of the Company or any of its Subsidiaries or Affiliates or any of their respective material vendors or suppliers will not be fully Year 2000 compliant on a timely basis, except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect.

6.6 Taxes. The Company will pay and discharge, and cause each of its Subsidiaries to pay and discharge, all taxes, assessments, and governmental charges upon it, its income, and its properties prior to the date on which penalties are attached thereto, unless and to the extent only that (i) such taxes, assessments, and governmental charges are being contested by the Company or such Subsidiary, as the case may be, in good faith and by appropriate proceedings, and (ii) the Company or such Subsidiary, as the case may be, has established on its books adequate reserves with respect to such tax, assessment or charge so contested in accordance with GAAP.

6.7 Payment of Obligations. The Company will pay and discharge, and cause each of its Subsidiaries to pay and discharge, at or before their maturity all indebtedness for borrowed money and other material obligations and liabilities of the Company and its Subsidiaries, except when (i) the same may be contested by the Company or such Subsidiary, as the case may be, in good faith and by appropriate proceedings, and (ii) the Company or such Subsidiary, as the case may be, has established on its books adequate reserves with respect to such indebtedness, obligation or liability in accordance with GAAP.

6.8 Insurance. The Company will maintain receivables insurance with respect to the Accounts Receivable which is reasonably satisfactory to the Lenders. In addition, the Company will maintain, and cause each of its Subsidiaries to maintain, adequate other insurance, including, without limitation, casualty and business interruption insurance, with responsible companies reasonably satisfactory to the Agent in such amounts and against such risks as are reasonably acceptable to each Lender.

6.9 Corporate Existence. Except to the extent otherwise permitted by Section 8.3, the Company will maintain, and cause each of its Subsidiaries to maintain, its corporate existence in good standing.

6.10 Licenses and Permits. The Company will maintain, and cause each of its Subsidiaries to maintain, all permits, licenses, authorizations, approvals and intellectual property required to own and operate the businesses and properties of the Company and its Subsidiaries, except where a failure to maintain any such permit, license, authorization, approval or intellectual property could not reasonably be expected, in a particular case or in the aggregate, to have a Material Adverse Effect.

6.11 Properties. The Company will maintain, preserve, and protect, and cause each of its Subsidiaries to maintain, preserve and protect, all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business and keep the same in good repair, working order, and condition (ordinary wear and tear and insured casualty loss excepted), and from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments, and improvements thereto so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and permit each Lender and its agents to enter upon and inspect such properties during normal business hours upon reasonable notice; provided, however, that nothing contained in this Section 6.11 shall prohibit the Company or any of its Subsidiaries from selling or disposing of property in the ordinary course of business which the Company or any such Subsidiary determines in its reasonable business judgment to be obsolete, surplus or no longer useful in the conduct of its business.

6.12 Employee Benefit Pension Plans. The Company will promptly during each year, pay, and cause each of its Subsidiaries to pay, contributions that in the judgment of the chief financial officer of the Company, after reasonable inquiry are believed adequate to meet at least the minimum funding standards set forth in Sections 302 through 305 of ERISA with respect to each employee benefit pension plan of the Company or any of its Subsidiaries, if any, covered by ERISA (including any plan of any member of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with the Company or any such Subsidiary, are treated as a single employer, under Section 414 of the Code); file, and cause each of its Subsidiaries to file, each annual report required to be filed pursuant to Section 103 of ERISA in connection with each such plan for each year; and notify each Lender within ten (10) days of the occurrence of a Reportable Event (as defined in Section 4043 of ERISA) that might constitute grounds for termination of any such plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer any such plan.

6.13 Business Continuation. The Company will continue, and cause each of its Subsidiaries to continue, to operate its business substantially as currently operated.

6.14 Compliance with Environmental Laws. The Company will comply, and cause each of its Subsidiaries to comply, in all material respects with all Environmental Laws.

6.15 Compliance with Other Applicable Laws. The Company will comply, and cause each of its Subsidiaries to comply, with all other applicable laws, rules, regulations and orders of any Governmental Authority having jurisdiction over it, except where a failure to comply could not reasonably be expected, in any particular case or in the aggregate, to have a Material Adverse Effect.

6.16 GAAP. The Company will maintain, and cause each of its Subsidiaries to maintain, its books and records in accordance with GAAP.

6.17 Landlord Lien Waivers; Post-Closing UCC Searches. On or before the date which is sixty (60) days after the Closing Date, (a) the Company will execute and deliver, and will cause each applicable landlord to execute and deliver, to each Lender and the Agent landlord lien waivers, in form and substance reasonably satisfactory to the Lenders and the Agent, relating to the leased premises of the Company specified by the Required Lenders, along with evidence satisfactory to the Agent that each such landlord lien waiver has been properly recorded in the appropriate recording office, and (b) the Company will deliver to each Lender follow-up uniform commercial code search reports addressed to and acceptable to the Agent covering the Company (and its two predecessor companies), for each filing office in which a financing statement in favor of the Agent as agent for the Lenders has been filed, which show the filing of such financing statements in favor of the Agent and only such other financing statements as are acceptable to the Lenders and the Agent.

SECTION 7
FINANCIAL COVENANTS

So long as the Company may borrow under the Revolving Credit Facility or the Swingline Facility or request that the Issuing Lender issue Letters of Credit or any Letter of Credit is outstanding and until payment in full of all of the Loans and payment and performance of all other obligations of the Company hereunder and under the other Loan Documents:

7.1 Tangible Net Worth. The Company will maintain Tangible Net Worth, measured as of the end of each fiscal quarter of the Company, of not less than (i) $11,000,000 at any time from and including the Closing Date, through and including January 30, 1999, (ii) $12,000,000 at any time from and including January 31, 1999, through and including April 29, 1999, (iii) $12,500,000 at any time from and including April 30, 1999, through and including July 30, 1999, (iv) $13,500,000 at any time from and including July 31, 1999, through and including October 30, 1999, and (v) $15,000,000 at all times thereafter.

7.2 Funded Debt to EBITDA Ratio. The Company will not permit the Funded Debt to EBITDA Ratio, measured as of the end of each fiscal quarter of the Company, to exceed 3.25 to 1 at any time.

7.3 EBITDA to Interest Expense Ratio. The Company will not permit the EBITDA to Interest Expense Ratio, measured as of the end of each fiscal quarter of the Company, to be less than 3.0 to 1 at any time.

SECTION 8
NEGATIVE COVENANTS

So long as the Company may borrow under the Revolving Credit Facility or the Swingline Facility or request that the Issuing Lender issue Letters of Credit or any Letter of Credit is outstanding and until payment in full of all of the Loans and payment and performance of all other obligations of the Company hereunder and under the other Loan Documents, without the prior written consent of the Required Lenders:

8.1 Additional Borrowing. The Company will not create, incur, assume, or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, in any manner any indebtedness for borrowed money, deferred payment obligation for the purchase of assets, or other indebtedness, except (i) indebtedness owing to the Lenders under this Agreement, (ii) the Swingline Loans, (iii) indebtedness existing on the date of this Agreement which is described on Schedule 8.1 attached hereto, and indebtedness constituting the renewal or refinancing of any such indebtedness as long as the principal amount thereof is not increased, (iv) accounts payable and accrued expenses arising in the ordinary course of business and payable on customary terms, (v) purchase money indebtedness and Capital Lease Obligations which do not exceed $500,000 in the aggregate at any time outstanding, (vi) indebtedness owing to NationsCredit Commercial Corporation incurred to finance the purchase of inventory by the Company or any of its Subsidiaries which does not exceed $1,500,000 in the aggregate at any time outstanding, and (vii) additional indebtedness (including guaranteed indebtedness and other contingent liabilities) of the Company and its Subsidiaries which does not exceed $100,000 in the aggregate at any time outstanding.

8.2 Mortgages and Pledges. The Company will not create, incur, assume, or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any mortgage, pledge, lien, or other encumbrance of any kind upon, or any security interest in, any of its property or assets, whether now owned or hereafter acquired, except (i) liens for taxes not yet delinquent or being contested in good faith and by appropriate proceedings, (ii) pledges or deposits in connection with workers' compensation, unemployment insurance, or other social security obligations or to secure public or statutory obligations, (iii) mechanic's, worker's, materialman's, landlord's, carrier's, or other like liens arising in the ordinary course of business with respect to obligations that are not due or that are being contested in good faith and by appropriate proceedings, (iv) mortgages, pledges, liens, and encumbrances in favor of the Agent and the Lenders securing indebtedness owing to the Lenders under this Agreement, (v) mortgages and security interests which are described on Schedule 8.2 attached hereto and extensions, renewals and replacements of any such mortgage or security interest as long as the amount secured thereby is not increased, (vi) zoning restrictions, easements, licenses, restrictions on the use of real property or minor irregularities in the title thereto, which do not, in the opinion of the Company, materially impair the use of such property in the operation of the business of the Company or such Subsidiary, as the case may be, or the value of such property for the purposes

of such business, (vii) mortgages and security interests on property and assets securing indebtedness or Capital Lease Obligations which is or are permitted by Section 8.1(v) or Section 8.1(vi) and which is or are incurred to finance the acquisition of such property or assets; provided that (A) each such mortgage or security interest is created substantially simultaneously with the acquisition of the related property or assets, (B) each such mortgage or security interest does not at any time encumber any property or assets other than the related property or assets financed by such indebtedness or Capital Lease Obligations, (C) the principal amount of indebtedness or Capital Lease Obligations secured by each such mortgage or security interest is not increased, and (D) the principal amount of indebtedness or Capital Lease Obligations secured by each such mortgage or security interest at no time exceeds 100% of the original purchase price of the related property or assets at the time acquired, and (viii) mortgages and security interests on property and assets existing at the time the Company or any Subsidiary of the Company acquires such property or assets (and not created in contemplation thereof) as long as the outstanding principal amount of the indebtedness secured thereby is not increased after the Company or such Subsidiary acquires the related property or assets.

8.3 Merger, Consolidation, or Sale of Assets. The Company will not enter into any merger, consolidation or similar combination with, or acquire all or substantially all of the assets of, any other Person, or sell, transfer, lease, assign, or otherwise dispose of (in one transaction or a series of transactions) all or any material part of its assets, or form or acquire any Subsidiary, or permit any of its Subsidiaries to do so, except (i) the Company may merge with any corporation provided (a) the Company is the surviving corporation, and (b) immediately prior to and after giving effect to such merger no Default or Event of Default exists or would exist, (ii) any Subsidiary of the Company may merge or consolidate with the Company (provided that the Company is the surviving corporation) or with any other Subsidiary of the Company, and (iii) any Subsidiary of the Company may sell, transfer, lease or assign any of its assets to the Company or any other Subsidiary of the Company.

8.4 Contingent Liabilities. The Company will not assume, guarantee, endorse or otherwise become surety for or upon the obligation of any Person, except by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business and except for contractual indemnifications incurred in the ordinary course of business, or permit any Subsidiary to do so.

8.5 Loans. The Company will not make, or permit any Subsidiary to make, any loans or advances to any Person, except loans and advances made by the Company and its Subsidiaries which do not exceed $100,000 in the aggregate at any time outstanding.

8.6 Investments. The Company will not purchase or acquire the obligations or stock of, or any other interest in, any Person, other than Permitted Investments, or permit any of its Subsidiaries to do so.

8.7 Dividends and Purchases of Stock. The Company will not declare or pay any dividends (other than dividends payable in capital stock of the Company) on any shares of any class of its capital stock, or apply any of its property or assets to the purchase, redemption or other retirement of, or set apart any sum for the payment of any dividends on, or for the purchase, redemption or other retirement of, or make any other distribution by reduction of capital or otherwise in respect of, any shares of any class of capital stock of the Company or purchase, redeem or otherwise acquire for value any warrant for the purchase of any shares of its capital stock; provided, however, that the Company may pay a dividend on any date after October 31, 1999 (a "Dividend Payment Date"), if, but only if, (i) the Borrowing Base Percentage for the six (6) month period immediately preceding the applicable Dividend Payment Date is seventy percent (70%) or less, and (ii) the payment of the dividend would not cause or otherwise result in a Default or an Event of Default.

8.8 Sale and Leaseback. The Company will not directly or indirectly enter into any arrangement whereby the Company shall sell or transfer any of its fixed assets then owned by it and shall thereupon or within one year thereafter rent or lease the assets so sold or transferred, or permit any of its Subsidiaries to do so.

8.9 Use of Proceeds. The Company will not use all or any part of the proceeds of any of the Loans for the purpose of purchasing or carrying any margin stock, as that term is defined in Regulation U, or otherwise in violation of any other Regulation of the Board of Governors of the Federal Reserve System.

8.10 Dissolution. Neither the Company nor any of its Subsidiaries will dissolve or liquidate in whole or in part.

8.11 Conduct of Business. The Company will not engage, or permit any of its Subsidiaries to engage, in any business other than the businesses the Company is engaged in as of the Closing Date and businesses reasonably related thereto.

8.12 Affiliate Transactions. The Company will not enter into, or permit any of its Subsidiaries to enter into, any transaction with an Affiliate, or sell, transfer, lease, assign or otherwise dispose of, or permit any of its Subsidiaries to sell, transfer, lease, assign or otherwise dispose of, any of its properties or assets to an Affiliate, other than on terms and conditions substantially as favorable to the Company or such Subsidiary, as the case may be, as could be obtained by the Company or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate, except as expressly permitted by any other provision of this Agreement.

SECTION 9
EVENTS OF DEFAULT

If one or more of the following events of default (each, an "Event of Default") shall occur:

9.1 Default shall be made by the Company in the payment of any interest due on any of the Loans or any of the L/C Obligations, when such interest is due and payable, and such default shall continue unremedied for a period of ten (10) days; or

9.2 Default shall be made by the Company in the payment of any installment or other payment of principal of any of the Loans or in the payment of any L/C Obligations, when and as the same becomes due and payable, whether at the stated maturity thereof, by mandatory prepayment, by acceleration, demand or otherwise, and such default shall continue unremedied for a period of ten (10) days; or

9.3 Default shall be made by the Company in the due observance or performance of any covenant or agreement contained in Section 7, and such default shall continue for a period of thirty (30) days; or

9.4 Default shall be made by the Company in the due observance or performance of any other term, covenant, or agreement contained in this Agreement, and such default shall continue unremedied for a period of thirty (30) days after the sending of written notice of such default to the Company by the Agent; or

9.5 Any representation or warranty made by the Company herein or any statement or representation made in any certificate, report, or opinion delivered pursuant hereto shall prove to have been incorrect in any material respect when made; or

9.6 The Company or the Guarantor shall be generally not paying its debts as such debts become due, shall become insolvent or unable to meet its obligations as they mature, shall make an assignment for the benefit of creditors, shall consent to the appointment of a trustee or a receiver, or shall admit in writing its inability to pay its debts as they mature; or

9.7 A trustee, receiver or custodian shall be appointed for the Company, the Guarantor or for a substantial part of either of their respective properties; or

9.8 Any case in bankruptcy shall be commenced, or any reorganization, arrangement, insolvency, or liquidation proceedings shall be instituted, by or against the Company or the Guarantor and, if commenced or instituted against the Company or the Guarantor, be consented

to by the Company or the Guarantor, as the case may be, or remain undismissed for a period of forty-five (45) days; or

9.9 Any default shall be made in the performance of any other obligation incurred in connection with any indebtedness for borrowed money of the Company or the Guarantor aggregating $250,000 or more, if the effect of such default is to permit the holder of such indebtedness (or a trustee on behalf of such holder) to cause it to become due prior to its stated maturity or to do so with the giving of notice, or any such indebtedness becomes due prior to its stated maturity or shall not be paid when due; or

9.10 One or more final judgments for the payment of money aggregating in excess of $250,000 which is or are not adequately insured or indemnified against shall be rendered at any time against the Company or the Guarantor and the same shall remain undischarged for a period of thirty (30) days during which time execution shall not be effectively stayed; or

9.11 Any substantial part of the properties of the Company or the Guarantor shall be sequestered or attached and shall not have been returned to the possession of the Company or the Guarantor, as the case may be, or released from such attachment within forty-five (45) days; or

9.12 The occurrence of a Reportable Event as defined in Section 4043 of ERISA which might constitute grounds for termination of any employee benefit plan of the Company, the Guarantor or any of their respective Subsidiaries covered by ERISA by the PBGC or grounds for the appointment by the appropriate United States District Court of a trustee to administer any such plan; or

9.13 A default or an event of default shall have occurred under the Security Agreement, the Guaranty or any of the other Loan Documents (including, without limitation, a default under the Guaranty caused by the Guarantor's failure to maintain the financial covenant contained therein); provided, however, that no such default shall constitute an Event of Default hereunder if the default is remedied to the Lenders' satisfaction within any applicable grace or cure period; or

9.14 The Guarantor shall cease to own 100% of the capital stock of the Company; or Ryan Brant and/or Larry Muller shall cease to be involved in the senior management of the Company and within thirty (30) days thereafter the Company has not replaced them or him with an officer or officers reasonably satisfactory to each of the Lenders; or

9.15 Any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended), other than any person or group of persons who on the date of this Agreement each owns, legally or beneficially, 500,000 or more shares of the Guarantor's Stock, shall obtain ownership or control in one or more series of transactions of more

than twenty-five percent (25%) of the common stock and twenty-five percent (25%) of the voting power of the Guarantor entitled to vote in the election of members of the board of directors of the Guarantor; or

9.16 The Guarantor shall deny its liability under the Guaranty or take any action to terminate its liability thereunder, or any event shall have occurred or condition shall exist which in the reasonable opinion of either Lender might result in the Lenders not being able to enforce the obligations of the Guarantor under the Guaranty, unless the Guarantor reaffirms its obligations under the Guaranty in writing in a manner satisfactory to each Lender and its counsel within five (5) Business Days of its receipt of a written request from the Agent or a Lender to do so; then; (A) upon the occurrence of an Event of Default described in Section 9.8 relating to the Company, (i) the Revolving Credit Commitment and the Swingline Commitment, the obligation of the Lenders to make any further advances under the Revolving Credit Facility, the obligation of NationsBank to make any further advances under the Swingline Facility and the obligation of the Issuing Lender to issue any further Letters of Credit shall automatically and immediately terminate, (ii) the entire outstanding principal balance of the Revolving Credit Notes and the Swingline Note and all accrued interest thereon and all other amounts payable by the Company to the Lenders, the Issuing Lender and the Agent shall automatically and immediately become due and payable without presentment, demand, protest or any notice of any kind, or any other action by or on behalf of the Lenders, the Issuing Lender or the Agent, all of which are hereby waived, anything contained herein or in the Notes to the contrary notwithstanding, and (iii) the Lenders, the Issuing Lender and the Agent may proceed to enforce payment of the Notes and to exercise any and all of its rights hereunder, under the Notes, under the other Loan Documents or otherwise available to the Lenders, the Issuing Lender, the Agent or any of them; and (B) at any time after the occurrence of any Event of Default (other than an Event of Default described in Section 9.8 relating to the Company), the Agent may, if it deems appropriate, and the Agent shall, if requested to do so by either Lender, by written notice to the Company, take any or all of the following actions, at the same or different times: (i) terminate forthwith the Revolving Credit Commitment and the Swingline Commitment, the obligation of the Lenders to make any further advances under the Revolving Credit Facility, the obligation of NationsBank to make any further advances under the Swingline Facility and the obligation of the Issuing Lender to issue any further Letters of Credit, (ii) declare the Revolving Credit Notes, the Swingline Note and/or all other amounts payable by the Company to the Lenders, the Issuing Lender and the Agent to be forthwith due and payable, whereupon the applicable Note or Notes and all such other amounts shall be forthwith due and payable, both as to principal and interest, without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding, and/or (iii) proceed to enforce payment of the Notes and to exercise any and all of the rights of the Lenders, the Issuing Lender and the Agent hereunder, under the Notes, under the other Loan Documents or otherwise available to the Lenders, the Issuing Lender, the Agent or any of them.

SECTION 10
SET-OFFS AND SHARING OF PAYMENTS

10.1 Right of Set-off; Adjustments. (a) Upon the occurrence and during the continuance of any Event of Default, each Lender (and each of its Affiliates) is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender (or any of its Affiliates) to or for the credit or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement and the Note or Notes held by such Lender, irrespective of whether such Lender shall have made any demand under this Agreement or such Note or Notes and although such obligations may be unmatured. Each Lender agrees promptly to notify the Company after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 10.1 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

(b) If any Lender (a "benefited Lender") shall at any time receive any payment of all or part of the Revolving Credit Loans owing to it, or interest thereon, or receive any collateral with respect thereto (whether voluntarily or involuntarily, by set-off, or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, with respect to such other Lender's Revolving Credit Loans owing to it, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Revolving Credit Loans owing to it, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Company agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 10.1 may, to the fullest extent permitted by law, exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such purchasing Lender were the direct creditor of the Company in the amount of such participation.

SECTION 11
THE AGENT

11.1 Appointment, Powers, and Immunities. Each Lender hereby irrevocably appoints and authorizes the Agent to act as its agent under this Agreement and the other Loan

Documents with such powers and discretion as are specifically delegated to the Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 11.5 and the first sentence of Section 11.6 shall include its Affiliates and its own and its Affiliates' officers, directors, employees, and agents): (a) shall not have any duties or responsibilities except those expressly set forth in this Agreement and shall not be a trustee or fiduciary for any Lender; (b) shall not be responsible to the Lenders, or any of them, for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Loan Document or any certificate or other document referred to or provided for in, or received by any of them under, any Loan Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Loan Document, or any other document referred to or provided for therein or for any failure by the Company or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by the Company or any other Person or the satisfaction of any condition or to inspect the property (including the books and records) of the Company or any of its Subsidiaries or Affiliates or any other Person; (d) shall not be required to initiate or conduct any litigation or collection proceedings under any Loan Document except as specifically provided in such Loan Document; and (e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Loan Document, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

11.2 Reliance By Agent. The Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for the Company), independent accountants, and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof. As to any matters not expressly provided for by this Agreement, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to any Loan Document or applicable law unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking any such action.

11.3 Defaults. The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Agent has received written notice from a Lender or the Company specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default or Event of Default or the Agent otherwise has actual knowledge of the occurrence of

a Default or an Event of Default, the Agent shall give prompt notice thereof to the Lenders. The Agent shall (subject to Section 11.2) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders.

11.4 Rights as Lender. With respect to its Revolving Credit Commitment and the Loans made by it, NationsBank (and any successor acting as Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent (and any successor acting as Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make investments in, provide services to, and generally engage in any kind of lending, trust, or other business with the Company or any of its Subsidiaries or Affiliates as if it were not acting as Agent, and the Agent (and any successor acting as Agent) and its Affiliates may accept fees and other consideration from the Company or any of its Subsidiaries or Affiliates for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

11.5 Indemnification. The Lenders agree ratably in accordance with their respective Revolving Credit Commitment Percentages (to the extent not reimbursed under Section 12.1, but without limiting the obligations of the Company under such Section 12.1) to indemnify and hold harmless the Agent and each of its Subsidiaries and Affiliates and their respective officers, directors, employees, agents, and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation, or proceeding or preparation of defense in connection therewith) the Loan Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans, except to the extent such claim, damage, loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 11.5 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Company, its directors, shareholders or creditors or an Indemnified Party and whether any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated.

11.6 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the

Company and its own decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Loan Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, or business of the Company, the Guarantor or any of their respective Subsidiaries or Affiliates that may come into the possession of the Agent or any of its Affiliates.

11.7 Resignation of Agent. The Agent may resign at any time by giving written notice to the Lenders and the Company. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges, and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 11 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

SECTION 12
MISCELLANEOUS PROVISIONS

12.1 Expenses; Indemnification. (a) The Company agrees to pay on demand all reasonable costs and expenses of the Agent and each Lender in connection with the syndication, preparation, execution, delivery, administration, modification, and amendment of this Agreement, the other Loan Documents, and the other documents to be delivered hereunder; including, without limitation, the reasonable fees and expenses of counsel for the Agent and each Lender with respect thereto and with respect to advising the Agent and each Lender as to its rights and responsibilities under the Loan Documents. The Company further agrees to pay on demand all costs and expenses of the Lenders, the Issuing Lender and the Agent, if any (including, without limitation, reasonable attorneys' fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Loan Documents and the other documents to be delivered hereunder or in connection with the Loans made hereunder.

(b) The Company agrees to indemnify and hold harmless each Lender, the Issuing Lender and the Agent and each of their respective Affiliates and their respective officers, directors, employees, agents, and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation,

reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation, or proceeding or preparation of defense in connection therewith) the Loan Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans, except to the extent such claim, damage, loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 12.1(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Company, its directors, shareholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Company agrees not to assert any claim against any Lender, the Issuing Lender, the Agent, any of their respective Affiliates, or any of their respective directors, officers, employees, attorneys, agents, and advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to the Loan Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans and waives any such claim it may now or hereafter have.

12.2 Several Obligations of Lenders. The obligation of each Lender to make the Revolving Credit Loans provided for herein is several, and no Lender shall be liable in the event that any other Lender fails to make any Revolving Credit Loan it has agreed to make hereunder.

12.3 Cumulative Rights and No Waiver. Each and every right granted to the Lenders, or any of them, the Issuing Lender or the Agent hereunder or under any other document delivered hereunder or in connection herewith, or allowed them or any of them by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Lenders, or any of them, the Issuing Lender or the Agent to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by the Lenders, or any of them, the Issuing Lender or the Agent of any right preclude any other or future exercise thereof or the exercise of any other right.

12.4 Amendments and Waivers. Any provision of this Agreement or any other Loan Document may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Lenders.

12.5 Notices. All notices, requests and other communications to any party hereunder will be in writing and will be given to such party at its address or telefacsimile number set forth below or such other address or telefacsimile number as such party may hereafter specify in writing for this purpose by notice to the other parties:

If to the Company:

Jack of All Games, Inc.
c/o Take-Two Interactive Software, Inc.
575 Broadway, 6th Floor
New York, New York 10019
Attention: Larry Muller
Telefacsimile: (212) 941-2997

with a copy to:

Barry S. Rutcofsky, Esquire
Tenzer Greenblatt LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174
Telefacsimile: (212) 885-5001

If to the Agent:

NationsBank, N.A.
Independence Center
101 N. Tryon Street - 15th Floor
Charlotte, North Carolina 28255
Attention: Angela Berry
Telephone: (704) 386-8958
Telefacsimile: (704) 388-9436

with a copy to:

Jeffrey M. Gill, Esquire
Mays & Valentine, L.L.P.
1111 East Main Street
Richmond, Virginia 23219
Telefacsimile: (804) 697-1339

If to any Lender, at the address shown opposite its name on the signature pages. Each such notice, request or other communication will be effective (i) if given by telefacsimile, when receipt is confirmed by telephone, (ii) if given by mail, three (3) Business Days after it is deposited in the U.S. mail with first class postage prepaid, addressed as provided above, or (iii) if given by any other means, when delivered at the applicable address as provided above.

12.6 Applicable Law. This Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

12.7 Survivorship. All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of the Loans, the execution and delivery of the Notes and the issuance of the Letters of Credit and shall continue in full force and effect so long as the Company may borrow or request the issuance of Letters of Credit hereunder or any portion of the Notes or any obligation hereunder or under any other Loan Document is outstanding and unpaid. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Company which are contained in this Agreement shall bind the successors and assigns of the Company and inure to the benefit of the successors and assigns of the Lenders, the Issuing Lender and the Agent. The Company shall not have the right to assign any of its rights or obligations hereunder

12.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

12.9 Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

12.10 Arbitration. Any controversy or claim between or among the parties hereto including but not limited to those arising out of or relating to this Agreement or any related agreements or instruments, including any claim based on or arising from an alleged tort, shall be determined by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, applicable state law), the rules of practice and procedure for the arbitration of commercial disputes of Judicial Arbitration and Mediation Services, Inc./Endispute (J.A.M.S.), and the "special rules" set forth below. In the event of any inconsistency, the special rules shall control. Judgment upon any arbitration award may be entered in any court having jurisdiction. Any party to this Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any controversy or claim to which this Agreement applies in any court having jurisdiction over such action.

The arbitration shall be conducted in Richmond, Virginia and administered by J.A.M.S. who will appoint an arbitrator; if J.A.M.S. is unable or legally precluded from administering the arbitration, then the American Arbitration Association will serve. All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration; further, the arbitrator shall only, upon a showing of cause, be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

Nothing in this Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statute of limitation or repose or any waivers contained in this agreement; or (ii) be a waiver by the Lenders of the protection afforded to them by 12 U.S.C. Sec. 91 or any substantially equivalent state law; or (iii) limit the right of the Lenders (a) to exercise self help remedies such as (but not limited to) setoff, or (b) to foreclose against any real or personal property collateral, or (c) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession or the appointment of a receiver. The Lenders may exercise such self help rights, foreclose upon such property, or obtain such provisional or ancillary remedies before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement. Neither this exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the controversy or claim occasioning resort to such remedies.

12.11 Entire Agreement. This Agreement and the other Loan Documents constitute the entire agreement of the Company, the Lenders and the Agent with respect to the subject matter hereof and supersede all prior or contemporaneous agreements, whether oral or written.

IN WITNESS WHEREOF, the Company, the Agent and the Lenders have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written. JACK OF ALL GAMES, INC.

By: /s/ Larry Muller

Its: Vice President/Chief Financial Officer

NATIONSBANK, N.A., as Agent

By: /s/ Austin Welder

Its: Vice President

Address for notices:

NationsBank, N.A.
1111 East Main Street
Richmond, Virginia 23219
Attention: Austin B. Welder
Telefacsimile: (804) 788-3432

NATIONSBANK, N.A., as Lender

By: /s/ Austin Welder

Its: Vice President

Address for notices:

The Provident Bank
One East Fourth Street
Cincinnati, Ohio 45202
Attention: John D. Rentz
Telefacsimile: (513) 579-2201

THE PROVIDENT BANK

By: /s/ John Rentz

Its: Vice President