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

FORM 10-Q/A

(Mark One)
[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended January 31, 2001

OR

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

For the transition period from __________to__________

Commission File Number 0-29230

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

DELAWARE	51-0350842
(State of incorporation or organization)	(IRS Employer Identification No.)
575 Broadway, New York, NY	10012
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 334-6633

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

As of March 5, 2001, there were 33,037,939 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
QUARTER ENDED JANUARY 31, 2001

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* This amended form 10-Q is being filed as the result of the following: On February 12, 2002, the Company restated its financial statements for the fiscal year ended October 31, 2000, each of the quarters of fiscal 2000 and the three fiscal quarters of fiscal 2001. All financial data in this report reflects this restatement. See Note 2 of Notes to Unaudited Consolidated Condensed Financial Statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Balance Sheets
As of January 31, 2001 and October 31, 2000 (unaudited)
(In thousands, except share data)

ASSETS	January 31, 2001 Restated	October 31, 2000
Current assets		
Cash and cash equivalents	$ 13,658	$ 5,245
Accounts receivable, net of provision for doubtful accounts and sales allowances of $12,166 and $11,615 at January 31, 2001 and October 31, 2000, respectively	119,777	115,927
Inventories, net	52,429	53,798
Prepaid royalties	26,416	24,093
Prepaid expenses and other current assets	11,920	6,551
Investments	1,990	2,926
Deferred tax asset	9,243	9,243
Total current assets	235,433	217,783
Fixed assets, net	6,082	5,260
Prepaid royalties	1,609	1,303
Capitalized software development costs, net	9,937	9,613
Investments	24,403	28,487
Intangibles, net	90,724	66,562
Other assets, net	2,553	1,565
Total assets	$ 370,741	$ 330,573
LIABILITIES and STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	62,720	47,972
Accrued expenses	20,305	15,099
Lines of credit, current portion	82,093	84,605
Current portion of capital lease obligation	99	89
Total current liabilities	165,217	147,765
Loan payable, net of unamortized discount of $2,585 and $2,732 at January 31, 2001 and October 31, 2000, respectively	12,415	12,268
Notes payable	651	--
Capital lease obligation, net of current portion	328	348
Total liabilities	$ 178,611	$ 160,381
Stockholders' equity		
Common stock, par value $.01 per share; 50,000,000 shares authorized; 32,968,222 and 31,172,866 shares issued and outstanding	330	312
Additional paid-in capital	172,392	157,738
Deferred compensation	--	(5)
Retained earnings	33,051	24,819
Accumulated other comprehensive loss	(13,643)	(12,672)
Total stockholders' equity	192,130	170,192
Total liabilities and stockholders' equity	$ 370,741	$ 330,573

The accompanying notes are an integral part of the consolidated condensed financials statements.
Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Operations
For the three months ended January 31, 2001 and 2000 (unaudited)
(In thousands, except per share data)

	Three months ended January 31, 2001 Restated	2000
Net sales	$ 157,853	$ 120,247
Cost of sales	104,260	84,955
Gross profit	53,593	35,292
Operating expenses		
Selling and marketing	12,814	15,276
General and administrative	10,511	9,295
Research and development costs	1,400	1,625
Depreciation and amortization	2,422	1,403
Total operating expenses	27,147	27,599
Income from operations	26,446	7,693
Interest expense, net	2,930	1,506
Equity in loss of affiliate	--	156
Total non-operating expenses	2,930	1,662
Income before income taxes and cumulative effect of change in accounting principle	23,516	6,031
Provision for income taxes	9,947	2,065
Income before cumulative effect of change in accounting principle	13,569	3,966
Cumulative effect of change in accounting principle, net of taxes of $3,558	5,337	--
Net income	$ 8,232	$ 3,966
Per share data:		
Basic:		
Weighted average common shares outstanding	32,347	23,199
Income before cumulative effect of change in accounting principle per share	$ 0.41	$ 0.17
Cumulative effect of change in accounting principle per share	(0.16)	--
Net income - Basic	$ 0.25	$ 0.17
Diluted:		
Weighted average common shares outstanding	32,959	24,478
Income before cumulative effect of change in accounting principle per share	$ 0.41	$ 0.16
Cumulative effect of change in accounting principle per share	(0.16)	--
Net income - Diluted	$ 0.25	$ 0.16

The accompanying notes are an integral part of the consolidated condensed financials statements.
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TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
For the three months ended January 31, 2001 and 2000 (unaudited)

(In thousands, except share information)

	Three months ended January 31, 2001 Restated	2000
Cash flows from operating activities:		
Net income	$ 8,232	$ 3,966
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,422	1,403
Loss on disposal of fixed assets	--	2
Equity in loss of affiliate	--	156
Provision for doubtful accounts and sales allowances	551	29
Provision for inventory obsolescence	12	10
Amortization of various expenses and discounts	263	110
Tax benefit from exercise of stock options	68	403
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease in accounts receivable	4,912	18,297
Decrease (increase) in inventories, net	5,167	(6,908)
Increase in prepaid royalties	(2,629)	(9,595)
Increase in prepaid expenses and other current assets	(4,001)	(2,817)
Increase in capitalized software development costs	(325)	(993)
Increase (decrease) in accounts payable	2,300	(14,398)
Increase in accrued expenses	4,360	5,259
Net cash provided by (used in) operating activities	21,332	(5,076)
Cash flows from investing activities:		
Purchase of fixed assets	(1,333)	(890)
Other investment	--	(4,000)
Acquisitions, net of cash acquired	(4,300)	--
Additional cash paid for prior acquisition	--	(459)
Net cash used in investing activities	(5,633)	(5,349)
Cash flows from financing activities:		
Net (repayments) borrowings under lines of credit	(9,152)	18,472
Repayment on notes payable	--	(89)
Proceeds from exercise of stock options and warrants	1,195	1,950
Repayment of capital lease obligation	(10)	(21)
Net cash (used in) provided by financing activities	(7,967)	20,312
Effect of foreign exchange rates	681	(1,006)
Net increase in cash for the period	8,413	8,881
Cash and cash equivalents, beginning of the period	5,245	10,374
Cash and cash equivalents, end of the period	$ 13,658	$ 19,255
Supplemental disclosure of non-cash investing activities:		
Issuance of common stock in connection with prior acquisition	$ --	$ 161
Gathering purchase option	$ --	$ 872

During the quarter ended January 31, 2000, the Company paid $458,817 in cash and issued $161,140 in stock related to a prior period acquisition. Such payments were capitalized and recorded as Goodwill

	2001	2000
Supplemental information on businesses acquired:		
Fair value of assets acquired		
Cash	$ --	$ --
Accounts receivables, net	9,310	--
Inventories, net	3,810	--
Prepaid expenses and other assets	34	--
Property and equipment, net	286	--
Intangible asset	8,105	--
Goodwill	35,078	--
Less, liabilities assumed		
Line of credit	(6,641)	--
Accounts payable	(12,447)	--
Accrued expenses	(1,780)	--
Other current liabilities	(651)	--
Stock issued	(13,380)	--
Value of asset recorded	(17,266)	--
Direct transaction costs	(158)	--
Cash paid	4,300	--

Less, cash acquired	--	--
Net cash paid	$ 4,300	$ --

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

Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC.
Consolidated Condensed Statements of Stockholders' Equity
For the year ended October 31, 2000 and the three months
ended January 31, 2001 (unaudited)

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deferred Compensation
Balance, November 1, 1999	23,086	$ 231	$ 67,345	$ (48)
Issuance of compensatory stock options	--	--	55	--
Proceeds from exercise of stock options and warrants	1,373	13	6,908	--
Amortization of deferred compensation	--	--	--	43
Issuance of common stock in connection with acquisitions	4,222	43	55,218	--
Issuance of common stock in connection with private placements, net of issuance costs	2,422	24	21,261	--
Issuance of warrants in connection with a debt financing	--	--	2,927	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	168	2	2,528	--
Retirement of common stock	(98)	(1)	(1,249)	--
Tax benefit in connection with the exercise of stock options	--	--	2,745	--
Foreign currency translation adjustment	--	--	--	--
Net unrealized loss on investments	--	--	--	--
Net income	--	--	--	--
Balance, October 31, 2000	31,173	$ 312	$ 157,738	$ (5)
Proceeds from exercise of stock options and warrants	360	4	1,191	--
Amortization of deferred compensation	--	--	--	5
Issuance of common stock in connection with acquisitions	1,436	14	13,395	--
Tax benefit in connection with the exercise of stock options	--	--	68	--
Foreign currency translation adjustment	--	--	--	--
Net unrealized loss on investments	--	--	--	--
Net income - Restated	--	--	--	--
Balance, January 31, 2001 - Restated	32,969	$ 330	$ 172,392	$ --

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
Balance, November 1, 1999	$ 18,402	$ (827)	$ 85,103	$ 15,512
Issuance of compensatory stock options	--	--	55	
Proceeds from exercise of stock options and warrants	--	--	6,921	
Amortization of deferred compensation	--	--	43	
Issuance of common stock in connection with acquisitions	--	--	55,261	
Issuance of common stock in connection with private placements, net of issuance costs	--	--	21,285	
Issuance of warrants in connection with a debt financing	--	--	2,927	
Issuance of common stock in lieu of repayment of debt assumed from Pixel	--	--	2,530	
Retirement of common stock	--	--	(1,250)	
Tax benefit in connection with the exercise of stock options	--	--	2,745	
Foreign currency translation adjustment	--	(9,014)	(9,014)	(9,014)

Net unrealized loss on investments	--	(2,831)	(2,831)	(2,831)
Net income	6,417	--	6,417	6,417
Balance, October 31, 2000	$ 24,819	$ (12,672)	$ 170,192	$ (5,428)
Proceeds from exercise of stock options and warrants	--	--	1,195	
Amortization of deferred compensation	--	--	5	
Issuance of common stock in connection with acquisitions	--	--	13,409	
Tax benefit in connection with the exercise of stock options	--	--	68	
Foreign currency translation adjustment	--	681	681	681
Net unrealized loss on investments	--	(1,652)	(1,652)	(1,652)
Net income - Restated	8,232	--	8,232	8,232
Balance, January 31, 2001 - Restated	$ 33,051	$ (13,643)	$ 192,130	$ 7,261

The accompanying notes are an integral part of the consolidated condensed financials statements.
Certain amounts have been reclassified for comparative purposes

1. Organization

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

2. Restatement of Financial Statements

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

As a result of the investigation, the Company restated its previously issued consolidated financial statements for fiscal 2000 and each of the quarters in fiscal 2000 and the first three quarters in fiscal 2001. The amounts presented herein for the year ended October 31, 2000 and the three months ended January 31, 2000 reflect the restated financial statements which have been filed with the SEC. The restatement of the financial statements for the three months ended January 31, 2001 relates to the elimination of $3,633,000 of net sales made to independent third party distributors and related cost of sales of $4,715,000 and the related tax effect, which were improperly recognized as revenue since the products were later returned or repurchased by the Company.

In addition, the Company reviewed its revenue recognition policy, reserve policies and its accounting for certain other transactions. As a result of this review, the Company restated its previously issued unaudited consolidated condensed financial statements for the three months ended January 31, 2001 for the following transactions and the related tax effect:

- For the three months ended January 31, 2001, the recognition of net sales of $3,780,000 and related cost of sales of $2,236,000 for transactions that did not qualify for revenue recognition in the fourth quarter of fiscal 2000.

- An adjustment of $750,000 for the three months ended January 31, 2001 for the reduction of revenue related to adjustment of the purchase price of an acquired business, and a related reduction of amortization expense of $29,000 for the three months ended January 31, 2001 (see Note 5). Additionally, the Company recorded a net reduction for post acquisition amortization of $381,000 comprised of a $563,000 reduction of amortization of intangible assets offset by an increase of $182,000 in the amortization of prepaid royalties for the three months ended January 31, 2001 from purchase allocation adjustments made relating to acquisitions consummated in fiscal 2000 as a result of restatements made to the 2000 financial statements.

Additionally, the Company restated its first quarter fiscal 2001 financial statements to record the cumulative effect of the change in accounting related to the adoption of SAB 101 "Revenue Recognition." In fiscal 2001, the Company implemented changes to its practices to significantly reduce shipment time near quarter and year end. Accordingly, the adoption of SAB 101 did not have a significant impact on previously reported interim net income for the first quarter of 2001 (See Note 3).

The effect of the restatement for the three months ended January 31, 2001 is as follows (certain amounts have been reclassified and are presented in thousands, except per share data):

	Three months ended January 31, 2001			
	As Reported	Restatement	Effect of SAB 101	As Restated
Statement of Operations Data:				
Net sales	$ 131,226	$ (603)	$ 27,230	$ 157,853
Cost of sales	88,222	(2,297)	18,335	104,260
Depreciation and amortization	3,014	(592)	--	2,422
Income from operations	15,265	2,286	8,895	26,446
Income before provision for income taxes and cumulative effect of change in accounting principle	12,335	2,286	8,895	23,516
Provision for income taxes	4,585	1,804	3,558	9,947
Cumulative effect of change in accounting principle	--	--	5,337	5,337
Net income	$ 7,750	$ 482	$ --	$ 8,232
Basic income per share	$ 0.24	$ 0.01	$ --	$ 0.25
Diluted income per share	$ 0.24	$ 0.01	$ --	$ 0.25

	January 31, 2001	
	As Reported	As Restated
Balance Sheet Data:		
Accounts receivable	$132,165	$119,777
Inventories, net	46,730	52,429
Prepaid royalties - current	22,860	26,416
Deferred tax asset	666	9,243
Intangibles, net	114,825	90,724
Total assets	389,398	370,741
Accrued expenses and other current liabilities	23,567	20,305
Total liabilities	181,873	178,611
Retained earnings	51,115	33,051
Accumulated other comprehensive loss	(16,312)	(13,643)
Total liabilities and stockholders' equity	389,398	370,741

Amendment of Credit Agreement

As a result of the restatement, in February 2002, the Company retroactively amended its covenants under the credit agreement with Bank of America, N.A. to December 1999. Accordingly, as of January 31, 2001, the Company was in compliance with the covenants, as amended.

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

3. Significant Accounting Policies and Transactions

Basis of Presentation

The unaudited Consolidated Condensed Financial Statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not include all information and disclosures necessary for a presentation of the Company's financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, the financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the Company's financial position, results of operations and cash flows. The results of operations for any interim periods are not necessarily indicative of the results for the full year. The financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report on Form 10-K/A for the fiscal year ended October 31, 2000.

Risk and Uncertainties

The Company's revenues are primarily derived from software publishing and distribution activities, which are subject to increasing competition, rapid technological change and evolving consumer preferences, often resulting in the frequent introduction of new products and short product lifecycles. Accordingly, the Company's profitability and growth prospects depend upon its ability to continually acquire, develop and market new, commercially successful software products and obtain adequate financing, if required. If the Company fails to continue to acquire, develop and market commercially successful software products, its operating results and financial condition could be materially adversely affected in the near future.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The most significant estimates and assumptions relate to the recoverability of prepaid royalties, capitalized software development costs and other intangibles and investments, valuation of inventories and the adequacy of allowances for returns and doubtful accounts. Actual amounts could differ significantly from these estimates.

Prepaid Royalties and Capitalized Software Development Costs

The Company's agreements with licensors and developers generally require it to make advance royalty payments and pay royalties based on product sales. Prepaid royalties are amortized at the contractual royalty rate as cost of sales based on actual net product sales. The Company continually evaluates the future realization of prepaid royalties, and charges to cost of sales any amount that management deems unlikely to be realized at the contractual royalty rate. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year. For the three months ended January 31, 2001 and 2000, no prepaid royalties were written down to estimated net realizable value. For the three months ended January 31, 2001, amortization of prepaid royalties amounted to $6,019,000 which is included in total royalty expense of $6,399,000. For the three months ended January 31, 2000, royalty expense was comprised solely of amortization of prepaid royalties, which amounted to $2,802,000.

The Company capitalizes internal software development costs subsequent to establishing technological feasibility of a title. Amortization of such costs is based on the greater of the proportion of current year sales to total estimated sales commencing with the title's release or the straight line method. The Company continually evaluates the recoverability of capitalized costs. For the three months ended January 31, 2001, no capitalized software costs were written off. For the three months ended January 31, 2000, capitalized software costs were written down by $9,000 to estimated net realizable value. Amortization of capitalized software costs amounted to $893,000 and $69,000 for the three months ended January 31, 2001 and 2000, respectively.

Revenue Recognition

Distribution revenue is derived from the sale of third-party software products and hardware and is recognized when the ownership and risk of loss pass to customers which is generally upon receipt by the customers. Distribution revenue was $79,934,000 and $59,945,000 for the three months ended January 31, 2001 and 2000, respectively. Publishing revenue is derived from the sale of internally developed software products or from the sale of products licensed from third-party developers and is recognized when the ownership and risk of loss pass to customers which is generally upon receipt by the customers. Publishing revenue was $77,919,000 and $60,302,000 for the three months ended January 31, 2001 and 2000, respectively.

In October 1997, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 97-2 "Software Revenue Recognition". SOP 97-2 provides guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. The Company has adopted SOP 97-2 and such adoption did not have a material impact on the Company's financial statements. The Company recognizes revenue upon persuasive evidence of an arrangement, the Company's fulfillment of its obligations under any such arrangement, and determination that collection is probable. The Company's payment arrangements with its customers are fixed at the time of sale with 30, 60, 90 or 120 day terms. The AICPA has also issued SOP 98-9, a modification of SOP 97-2, "Software Revenue Recognition with respect to Certain Transactions". SOP 98-9 deals with the determination of vendor specific objective evidence of fair value in multiple element arrangements, such as maintenance agreements sold in conjunction with software packages. The adoption of SOP 98-9 did not have a material impact on the Company's financial statements.

The Company's distribution arrangements with customers generally do not give them the right to return products; however, the Company accepts product returns for stock balancing or defective products. In addition, the Company sometimes negotiates accommodations to customers, including price discounts, credits and product returns, when demand for specific products fall below expectations. The Company's publishing arrangements require the Company to accept product returns. The Company establishes a reserve for future returns based primarily on its return policies, markdown allowances and historical return rates, and recognizes revenues net of product returns.

Effective November 1, 2000, the Company adopted Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." Consistent with the guidelines provided in SAB No. 101, the Company changed its revenue recognition policy to recognize revenue as noted above. Prior to the adoption of SAB 101, the Company recognized revenue upon shipment. The cumulative effect of the application of the revenue recognition policies set forth in SAB 101 for the period ended January 31, 2001 was approximately $5.3 million, or $0.16 per share, net of tax benefit of approximately $3.6 million. As a result of adopting SAB 101, net sales and cost of sales of approximately $27.2 million and $18.3 million, respectively, which were originally recognized in the year ended October 31, 2000 were also recognized in the quarter ended January 31, 2001. This adoption had no effect on net income for the quarter ended January 31, 2001. It is impracticable for the Company to present pro forma information for quarters prior to fiscal 2001.

4. Net Income per Share

The following table provides a reconciliation of basic earnings per share to dilutive earnings per share for the three months ended January 31, 2001 and 2000.

	Net Income	Shares	Per Share Amount
(in thousands, except per share data)			
Three Months Ended January 31, 2001 - Restated:			
Basic	$8,232	32,347	$ .25
Effect of dilutive securities - Stock options and warrants	--	612	--
Diluted	$8,232	32,959	$ .25
Three Months Ended January 31, 2000:			
Basic	$3,966	23,199	$ .17
Effect of dilutive securities - Stock options and warrants	--	1,279	(.01)
Diluted	$3,966	24,478	$ .16

The January 31, 2001 computation for diluted number of shares excludes unexercised stock options and warrants which are anti-dilutive.

5. Acquisitions

In connection with the sale of Toga Holdings to Gameplay.com plc ("Gameplay") in October 2000, the Company agreed to acquire Gameplay's game software development and publishing business Neo Software Produktions GMBH ("Neo"). The Company obtained an independent third party valuation in support of the value assigned to its right to acquire Neo. In January 2001, the Company completed the acquisition of Neo and assumed net liabilities of approximately $808,000, in addition to the prepaid purchase price of $17.3 million.

In November 2000, the Company acquired all of the outstanding capital stock of VLM Entertainment Group, Inc. ("VLM"), a company engaged in the distribution of third-party software products. In connection with this transaction, the Company paid the former stockholders of VLM $2 million in cash and issued 875,000 shares of its common stock (valued at $8.0 million) and assumed net liabilities of approximately $6.9 million, on a preliminary basis. In addition, all of the former stockholders of VLM may receive up to an aggregate of 100,000 shares based on the future financial performance of VLM. In connection with this transaction, the Company recorded intangible assets of approximately $16.2 million on a preliminary basis. The acquisitions have been accounted for as a purchase. The unaudited Consolidated Condensed Statement of Operations includes the operating results of each business from the date of acquisition. The following unaudited pro forma results below assumes the acquisitions of VLM and Neo occurred on November 1, 1999 (in thousands, except per share data),

	Three Months Ended January 31, 2001	Three Months Ended January 31, 2000
Net Sales	$ 162,018	$ 131,812
Net Income	7,846	3,491
Net Income per share (basic)	0.24	0.14
Net Income per share (fully diluted)	0.24	0.13

In December 2000, the Company acquired the exclusive worldwide publishing rights to the franchise of Duke Nukem PC and video games, including the PC, console and sequel rights to Duke Nukem Forever. In connection with the transaction, the Company paid $2.3 million in cash and issued 557,103 shares of its common stock and assumed liabilities of $400,000. In addition, the Company is contingently liable to make a further payment of $6 million upon delivery of the gold master of Duke Nukem Forever. The Company recorded an intangible asset of $8.1 million related to this transaction on a preliminary basis. The additional $6 million will be recorded as an additional intangible asset upon resolution of the contingency.

6. Investments

Investments are comprised of equity securities and are classified as current and non-current assets. Investments are accounted for under the average cost method as "available-for-sale" in accordance with Statement of Financial Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities". Investments are stated at fair value, with unrealized appreciation (loss) reported as a separate component of accumulated other comprehensive income (loss) in stockholders' equity.
As of January 31, 2001, investments consist of (in thousands):

	Current	Non Current
Average cost	$ 2,943	$ 30,602
Unrealized losses	(953)	(6,199)
Fair value	$ 1,990	$ 24,403

7. Subsequent Events

In February 2001, Take-Two Interactive Software Europe Limited ("TTE") entered into a credit facility agreement with Lloyds TSB Bank plc ("Lloyds") under which Lloyds agreed to make available borrowings of up to $25,000,000. Advances under the credit facility bear interest at the rate of 1.25% per annum over the bank's base rate, and are guaranteed by the Company. The credit facility expires in December 2001 and replaces the credit line TTE previously had with Barclay's Bank.

In February 2001, certain stockholders of the Company exchanged 739,212 shares of the Company's Common Stock for 6,318,703 shares of Gameplay stock having an equivalent value.

Item 2.

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

Restatement of Historical Financial Statements

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

As a result of the investigation, the Company restated its previously issued consolidated financial statements for fiscal 2000 and each of the quarters in fiscal 2000 and the first three quarters in fiscal 2001. The amounts presented herein for the year ended October 31, 2000 and the three months ended January 31, 2000 reflect the restated financial statements which have been filed with the SEC. The restatement of the financial statements for the three months ended January 31, 2001 relates to the elimination of $3,633,000 of net sales made to independent third party distributors and related cost of sales of $4,715,000 and the related tax effect, which were improperly recognized as revenue since the products were later returned or repurchased by the Company.

In addition, the Company reviewed its revenue recognition policy, reserve policies and its accounting for certain other transactions. As a result of this review, the Company restated its previously issued unaudited consolidated condensed financial statements for the three months ended January 31, 2001 for the following transactions and the related tax effect:

- For the three months ended January 31, 2001, the recognition of net sales of $3,780,000 and related cost of sales of $2,236,000 for transactions that did not qualify for revenue recognition in the fourth quarter of fiscal 2000.

- An adjustment of $750,000 for the three months ended January 31, 2001 for the reduction of revenue related to adjustment of the purchase price of an acquired business, and a related reduction of amortization expense of $29,000 for the three months ended January 31, 2001. See Note 5 of Notes to Unaudited Consolidated Condensed Financial Statements. Additionally, the Company recorded a net reduction for post acquisition amortization of $381,000 comprised of a $563,000 reduction of amortization of intangible assets offset by an increase of $182,000 in the amortization of prepaid royalties for the three months ended January 31, 2001 from purchase allocation adjustments made relating to acquisitions consummated in fiscal 2000 as a result of restatements made to the 2000 financial statements.

Additionally, the Company restated its first quarter fiscal 2001 financial statements to record the cumulative effect of the change in accounting related to the adoption of SAB 101 "Revenue Recognition." In fiscal 2001, the Company implemented changes to its practices to significantly reduce shipment time near quarter and year end. Accordingly, the adoption of SAB 101 did not have a significant impact on previously reported interim net income for the first quarter of 2001. See Notes 2 and 3 of Notes to Unaudited Consolidated Condensed Financial Statements.

Safe Harbor Statement: The Company makes statements in this report that are considered forward looking statements under federal securities laws. Such forward looking statements are based on the beliefs of management as well as assumptions made by and information currently available to them. The words "expect," "anticipate," "believe," "may," "estimate," "intend" and similar expressions are intended to identify such forward looking statements. Forward looking statements involve risks, uncertainties and assumptions including, but not limited to: risks associated with future growth and operating results; the Company's ability to continue to successfully manage growth and integrate the operations of acquired businesses; the availability of adequate financing to fund periodic cash flow shortages; credit risks; seasonal factors; inventory obsolescence; technological change; competitive factors; product returns; failure of retailers to sell-through the Company's products; the timing of the introduction and availability of new hardware platforms; market and industry factors adversely affecting the carrying value of the Company's assets; and unfavorable general economic conditions, any or all of which could have a material adverse effect on the Company's business, operating results and financial condition. Actual operating results may vary significantly from such forward looking statements.

Overview

The Company is a leading global developer, publisher and distributor of interactive software games. The Company's software operates on PCs and video game consoles manufactured by Sony, Nintendo and Sega. The following table sets forth the percentages of publishing revenues derived from sales of titles for specific platforms during the periods indicated:

	Three Months Ended January 31	
Platform	2001	2000
PC	34.1%	29.1%
Sony PlayStation 2	40.9	--
Sony PlayStation	12.8	44.1
Nintendo GameBoy	3.2	7.1
Nintendo 64	--	6.4
Sega Dreamcast	2.9	4.3
Accessories	6.1	9.0
	100.0%	100.0%

Revenue Recognition. The Company's principal sources of revenues are derived from publishing and distribution operations. Publishing revenues are derived from the sale of internally developed software or software licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware. Publishing activities generally generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of CDs or cartridges designed for video game consoles. Effective November 1, 2000, the Company recognizes net revenue when title and risk of loss pass to customers (generally, upon receipt of products by customers.) Prior to that date, we recognized revenue upon shipment.

Return and Reserves. The Company's arrangements with customers for published titles require it to accept returns for stock balancing, markdowns or defects. The Company establishes a reserve for future returns of published titles based primarily on its return policies and historical return rates, and recognizes revenues net of returns. The Company's distribution arrangements with customers generally do not give them the right to return titles or to cancel firm orders. However, the Company sometimes accepts returns for stock balancing and negotiates accommodations to customers, which includes price discounts, credits and returns, when demand for specific titles fall below expectations. At January 31, 2001, the Company's reserve against accounts receivable for returns, customer accommodations and doubtful accounts was approximately $12,166,000. If future returns significantly exceed the Company's reserves, the Company's operating results would be adversely affected.

Capitalized Costs. The Company's agreements with licensors and developers generally require it to make advance royalty payments and pay royalties based on product sales. Prepaid royalties are amortized at the contractual royalty rate as cost of sales based on actual net sales. At January 31, 2001, the Company had prepaid royalties of $28,025,000. The Company also capitalizes internal software development costs subsequent to establishing technological feasibility of a title. Amortization of such costs is based on the greater of the proportion of current year sales to total estimated sales commencing with the title's release or the straight line method. At January 31, 2001, the Company had capitalized software development costs of $9,937,000. The Company continually evaluates the recoverability of capitalized costs. If the Company were required to write-off these payments or costs to a material extent in future periods, the Company's results of operations would be adversely affected.

Results of Operations

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

	Three Months Ended January 31,	
	2001	2000
Net Sales	100.0%	100.0%
Cost of Sales	66.0	70.7
Selling and Marketing	8.1	12.7
General and Administrative	6.7	7.7
Research and Development Costs	0.9	1.4
Depreciation and Amortization	1.5	1.2
Interest Expense, net	1.9	1.3
Provision for Income Taxes	6.3	1.7
Net Income	5.2	3.3

Three Months Ended January 31, 2001 and 2000

Net Sales. Net sales increased by $37,606,000, or 31.3%, to $157,853,000 for the three months ended January 31, 2001 from $120,247,000 for the three months ended January 31, 2000. The increase in net sales was primarily attributable to the Company's expanded distribution operations. The adoption of SAB 101 effective November 2000 resulted in the recognition of revenue when both title and all risks of loss pass to customers. The effect of this adoption was an increase in net sales of $27 million in the quarter ended January 31, 2001 for revenue that was previously recognized in the year ended October 31, 2000. Distribution revenues increased by $19,989,000, or 33.3%, to $79,934,000 for the three months ended January 31, 2001 from $59,945,000 for the three months ended January 31, 2000. This increase was primarily attributable to the acquisition of VLM in November 2000 and included $6 million relating to the adoption of SAB 101. The Company expects that its distribution operations will continue to expand largely as a result of the anticipated introduction of next-generation hardware platforms and the wide-scale rollout of Playstation(R) 2. For the three months ended January 31, 2001, distribution activities accounted for approximately 50.6% of net sales.

Publishing revenues increased by $17,617,000, or 29.2%, to $77,919,000 for the three months ended January 31, 2001 from $60,302,000 for the three months ended January 31, 2000. This increase included $21 million relating to the adoption of SAB 101 offset by approximately a $4 million decrease primarily attributable to a decrease in European publishing activities during the quarter. For this period, software products designed for PC platforms accounted for approximately 34.1% of the Company's publishing revenues with software products designed for video game console platforms accounting for 56.1% of the Company's publishing revenues. The Company expects that sales of video game console products will continue to account for a significant portion of its publishing revenues. For the three months ended January 31, 2001, publishing activities accounted for approximately 49.4% of net sales.

Cost of Sales. Cost of sales increased by $19,305,000, or 22.7%, to $104,260,000 for the three months ended January 31, 2001 from $84,955,000 for the three months ended January 31, 2000. The increase was commensurate with increased net sales and included $18 million resulting from the adoption of SAB 101. Cost of sales as a percentage of net sales decreased from 70.7% to 66.0% primarily due to the increased sale of higher margin budget products. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

Selling and Marketing. Selling and marketing expenses decreased by $2,462,000, or 16.1%, to $12,814,000 for the three months ended January 31, 2001 from $15,276,000 for the three months ended January 31, 2000. Selling and marketing expenses as a percentage of net sales decreased to 8.1% for the three months ended January 31, 2001 from 12.7% for the three months ended January 31, 2000. The decrease in both absolute dollars and as a percentage of net sales was primarily attributable to higher expenses incurred in the prior comparable quarter in connection with the Company's release of GTA2. In addition, the decrease generally reflects the Company's continued efforts to achieve cost efficiencies.

General and Administrative. General and administrative expenses increased by $1,216,000, or 13.1%, to $10,511,000 for the three months ended January 31, 2001 from $9,295,000 for the three months ended January 31, 2000. General and administrative expenses as a percentage of net sales decreased to 6.7% for the three months ended January 31, 2001 from 7.7% for the three months ended January 31, 2000. This increase in absolute dollars was primarily attributable to salaries, rent, insurance premiums and professional fees associated with the Company's expanded operations.

Research and Development. Research and development costs decreased by $225,000 to $1,400,000 for the three months ended January 31, 2001 from $1,625,000 for the three months ended January 31, 2000. Research and development costs as a percentage of net sales remained relatively constant.

Depreciation and Amortization. Depreciation and amortization expense increased by $1,019,000 or 72.6%, to $2,422,000 for the three months ended January 31, 2001 from $1,403,000 for the three months ended January 31, 2000. The increase was primarily due to the amortization of intangible assets from acquisitions.

Interest Expense, net. Interest expense increased by $1,424,000 or 94.6%, to $2,930,000 for the three months ended January 31, 2001 from $1,506,000 for the three months ended January 31, 2000. The increase resulted from increased bank borrowings.

Income Taxes. Income taxes increased by $7,882,000, to $9,947,000 for the three months ended January 31, 2001 from $2,065,000 for the three months ended January 31, 2000. Income taxes as a percentage of net sales increased to 6.3% for the three months ended January 31, 2001 from 1.7% for the three months ended January 31, 2000. The increase in both absolute dollars and as a percentage of net sales resulted from increased pre-tax income and previous utilization of net operating loss carryforwards.

Cumulative Effect of Change in Accounting Principle. In connection with the adoption of SAB 101, the Company recognized a cumulative effect of $5.3 million, net of taxes of $3.6 million.

As a result of the foregoing, the Company achieved net income of $8,232,000 for the three months ended January 31, 2001, as compared to net income of $3,966,000 for the three months ended January 31, 2000.

Liquidity and Capital Resources

The Company's primary cash requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of its software products. The Company has historically satisfied its working capital requirements primarily through the cash flow from operations, issuance of debt and equity securities and bank borrowings. At January 31, 2001, the Company had working capital of $70,216,000 as compared to working capital of $70,018,000 at October 31, 2000.

The Company's cash and cash equivalents increased $8,413,000, to $13,658,000 at January 31, 2001, from $5,245,000 at October 31, 2000. The increase is primarily attributable to $21,332,000 of cash provided by operating activities, partially offset by $5,633,000 used in investing activities and $7,967,000 used in financing activities.

Net cash provided by operating activities for the three months ended January 31, 2001 was $21,332,000 compared to net cash used in operating activities of $5,076,000 for the three months ended January 31, 2000. The increase in net cash was primarily attributable to increased net income and decreased inventories and accounts receivable as well as an increase in accounts payable. Net cash used in investing activities for the three months ended January 31, 2001 was $5,633,000 as compared to net cash used in investing activities of $5,349,000 for the three months ended January 31, 2000. Net cash used in investing activities reflects the Company's continued investment in product development and acquisition activities. Net cash used in financing activities for the three months ended January 31, 2001 was $7,967,000 as compared to net cash provided by financing activities of $20,312,000 for the three months ended January 31, 2000. The increase in net cash used in financing activities was primarily attributable to the repayment of indebtedness.

In February 2001, the Company's European subsidiary entered into a credit facility agreement with Lloyds TSB Bank plc ("Lloyds") under which Lloyds agreed to make available borrowings of up to $25,000,000. The outstanding balance and available credit under the revolving line of credit was $14,064,000 and $134,000, respectively, as of January 31, 2001. Advances under the credit facility bear interest at the rate of 1.25% per annum over the bank's base rate, and are guaranteed by the Company. The credit facility expires in December 2001.

In December 1999, the Company entered into a credit agreement with a group of lenders led by Bank of America, N.A., as agent, which currently provides for borrowings of up to $90,000,000 (decreasing to $75,000,000 in March 2001). Thereafter, the Company may increase the credit line to up to $85,000,000 subject to certain conditions. Interest accrues on such advances at the bank's prime rate plus 0.5% or at LIBOR plus 2.5%. Borrowings under the line of credit are collaterized by all of the Company's assets. Under the terms of the credit agreement, the Company is required to comply with certain financial, affirmative and negative covenants, including consolidated net worth, consolidated leverage ratio and consolidated fixed charge ratio. In addition, the credit agreement limits or prohibits the Company from declaring or paying cash dividends, merging or consolidating with another corporation, selling assets (other than in the ordinary course of business), creating liens or incurring additional indebtness. In February 2002, certain financial covenants and several other covenants were amended retroactively to December 1999. Accordingly, as of January 31, 2001, the Company was in compliance with the covenants, as amended. The line of credit expires on December 7, 2002. The outstanding balance under the revolving line of credit was $68,029,000 as of January 31, 2001.

In July 2000, the Company entered into a subordinated loan agreement with Finova Mezzanine Capital Inc. under which the Company borrowed $15,000,000 evidenced by a five-year promissory note bearing interest at the rate of 12.5% per annum, payable monthly. In connection with the loan, the Company issued to Finova warrants to purchase 451,747 shares of common stock at an exercise price of $11.875 per share.

The Company's accounts receivable, less an allowance at January 31, 2001 was $119,777,000. No single customer accounted for more than 10% of the receivable balance at January 31, 2001. Most of the Company's receivables are covered by insurance and generally the Company has been able to collect its receivables in the ordinary course of business. The Company does not hold any collateral to secure payment from customers. As a result, the Company is subject to credit risks, particularly in the event that any of the receivables represent sales to a limited number of retailers or are concentrated in foreign markets. If the Company is unable to collect its accounts receivable as they become due and such accounts are not covered by insurance, the Company could be required to increase its allowance for doubtful accounts, which could adversely affect its liquidity and working capital position.

The Company expects to incur costs and expenses of approximately $2 million during fiscal 2001 associated with software and hardware upgrades to its accounting systems. In addition, the Company expects to spend approximately $1 million in connection with various leasehold improvements to its facilities. Other than the foregoing, the Company has no material commitments for capital expenditures.

Based on its currently proposed operating plans and assumptions, the Company believes that projected revenues from operations and available cash resources, including amounts available under its line of credit, will be sufficient to satisfy its cash requirements for the reasonably foreseeable future

Fluctuations in Operating Results and Seasonality

The Company has experienced fluctuations in quarterly operating results as a result of the timing of the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of the Company's titles; development and promotional expenses relating to the introduction of new titles, sequels or enhancements of existing titles; projected and actual changes in platforms; the timing and success of title introductions by the Company's competitors; product returns; changes in pricing policies by the Company and its competitors; the accuracy of retailers' forecasts of consumer demand; the size and timing of acquisitions; the timing of orders from major customers; and order cancellations and delays in product shipment. Sales of the Company's titles are also seasonal, with peak shipments typically occurring in the fourth calendar quarter (the fourth and first fiscal quarters) as a result of increased demand for titles during the holiday season. Accordingly, quarterly comparisons of operating results are not necessarily indicative of future operating results.

International Operations

Sales in international markets, principally in the United Kingdom and other countries in Europe, have accounted for a significant portion of the Company's revenues. For the three months ended January 31, 2001, and 2000, sales in international markets accounted for approximately 23.8% and 34.6%, respectively, of the Company's revenues. The Company is subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant impact on the Company's operating results.

Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to market risks in the ordinary course of its business, primarily risks associated with interest rate and foreign currency fluctuations and possible impairment of the carrying values of the Company's investments.

Historically, fluctuations in interest rates have not had a significant impact on the Company's operating results. At January 31, 2001, the Company had $82,093,000 in outstanding variable rate indebtedness. A hypothetical 1% increase in the interest rate of the Company's variable rate debt would increase annual interest expense by approximately $821,000 as of January 31, 2001.

The Company transacts business in foreign currencies and is exposed to risk resulting from fluctuations in foreign currency exchange rates. Accounts relating to foreign operations are translated into United States dollars using prevailing exchange rates at the relevant fiscal quarter. Translation adjustments are included as a separate component of stockholders' equity. For the three months ended January 31, 2001, the Company's foreign currency translation adjustment gain was $681,000. A hypothetical 10% change in applicable currency exchange rates at January 31, 2001 would result in a material translation adjustment. The Company purchases currency forward contracts to a limited extent to seek to minimize the Company's exposure to fluctuations in foreign currency exchange rates.

In addition, the Company may be exposed to risk of loss associated with fluctuations in the value of its investments. The Company's investments are stated at fair value, with net unrealized appreciation and loss included as a separate component of stockholders' equity. At January 31, 2001, the Company's investments had an aggregate fair market value of $26,393,000. The Company recorded an unrealized loss of $4,355,000, net of taxes, that is included as a separate component of accumulated other comprehensive income (loss) in stockholders' equity. The Company regularly reviews the carrying values of its investments to identify and record impairment losses when events or circumstances indicate that such investments may be permanently impaired. As of January 31, 2001, no such impairment has been recorded. The Company's principal investments are in the Internet industry, which are subject to significant fluctuations in their market value due to stock market volatility, and a substantial portion of such investments are recorded as long-term investments.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not involved in any material legal proceedings.

Item 2. Changes in Securities

From November 2000 to January 2001, 335,500 options from the 1997 Stock Option Plan and 382,500 non-plan options were granted at exercise prices ranging from $8.625 to $12.375.

In November 2000, the Company issued 875,000 shares of the Company's Common Stock in connection with the acquisition of VLM.

In December 2000, the Company issued 557,103 shares of the Company's Common Stock in connection with the acquisition of the rights to the Duke Nukem product franchise.

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

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on November 27, 2000. At the Annual Meeting, Ryan A. Brant, Kelly Sumner, Barry Rutcofsky, Oliver R. Grace, Jr., Robert Flug and Don Leeds were elected as directors by a vote of 22,179,676 for and 470,166 against. In addition, the stockholders voted 21,069,489 for and 1,534,694 against, with 45,659 abstentions, to increase the number of shares of Common Stock available under the Company's 1997 Stock Option Plan from 3,500,000 to 5,000,000.

Item 6. Exhibits and Reports on Form 8-K

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

(b) Reports on Form 8-K
None

SIGNATURES

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

Take-Two Interactive Software, Inc.

By: /s/ Kelly Sumner   Dated: April 16, 2002

    Kelly Sumner
    Chief Executive Officer