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

FORM 10-Q

(Mark One)
[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended July 31, 1999

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 September 7, 1999, there were 23,039,657 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
QUARTER ENDED JULY 31, 1999

FORM 10-Q

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Item 1.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Condensed Consolidated Balance Sheets
As of October 31, 1998 (unaudited) and July 31, 1999 (unaudited)

ASSETS:	October 31, 1998	July 31, 1999
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 2,762,837	$ 2,918,141
Accounts receivable, net of allowances of $1,473,017 and $1,475,364	49,138,871	63,261,214
Inventories, net	26,092,541	33,528,830
Prepaid royalties	8,064,510	18,039,879
Advances to developers	4,319,989	1,190,553
Prepaid expenses and other current assets	3,981,942	5,044,381
Deferred tax asset	941,000	--
Total current assets	95,301,690	123,982,998
Fixed assets, net	1,979,658	3,728,281
Prepaid royalties	1,388,673	465,000
Capitalized software development costs, net	2,260,037	2,100,351
Investment	--	4,110,973
Intangibles, net	8,421,777	12,341,172
Other assets, net	33,259	1,073,684
Total assets	$ 109,385,094	$ 147,802,459
LIABILITIES and STOCKHOLDERS' EQUITY:		
Current liabilities:		
Lines of credit, current portion	$ 30,226,899	$ 24,922,958
Notes payable due to related parties, net of discount	222,955	10,136
Current portion of capital lease obligation	82,373	80,182
Notes payable, net of discounts	137,140	--
Accounts payable	31,723,864	33,665,640
Accrued expenses	10,975,362	14,521,852
Advances to distributors	136,000	--
Total current liabilities	73,504,593	73,200,768
Line of credit	123,499	--
Notes payable, net of current portion	97,392	--
Capital lease obligation, net of current portion	94,042	25,301
Total liabilities	73,819,526	73,226,069
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, Series A, no par value; 5,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock, par value $.01 per share; 50,000,000 shares authorized; 18,071,972 and 22,874,157 shares issued and outstanding	180,719	228,742
Additional paid-in capital	33,546,417	65,743,754
Deferred compensation	(223,657)	(67,028)
Retained earnings	2,069,522	9,233,354
Foreign currency translation adjustment	(7,433)	(562,432)
Total stockholders' equity	35,565,568	74,576,390
Total liabilities and stockholders' equity	$ 109,385,094	$ 147,802,459

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Operations
For the three months ended July 31, 1998 (unaudited) and 1999 (unaudited)
and the nine months ended July 31, 1998 (unaudited) and 1999 (unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	1998	1999	1998	1999
	(Unaudited)		(Unaudited)	
Net sales	$38,426,145	$63,562,470	$129,779,876	$184,008,455
Cost of sales	28,170,283	43,931,101	98,815,293	133,553,958
Gross profit	10,255,862	19,631,369	30,964,583	50,454,497
Operating expenses:				
Research and development costs	546,429	986,845	1,551,800	2,210,994
Selling and marketing	4,439,687	6,925,874	12,483,124	16,415,343
General and administrative	3,430,843	6,779,560	9,102,708	17,359,437
Depreciation and amortization	438,474	730,146	1,218,273	1,743,567
Loss on disposal of fixed assets	--	--	--	57,504
Total operating expenses	8,855,433	15,422,425	24,355,905	37,786,845
Income from operations	1,400,429	4,208,944	6,608,678	12,667,652
Interest expense	579,743	453,825	3,100,596	2,053,295
Income before equity in earnings of affiliate and income taxes	820,686	3,755,119	3,508,082	10,614,357
Equity in earnings of affiliate	--	110,973	--	110,973
Income before income taxes	820,686	3,866,092	3,508,082	10,725,330
Provision for income taxes	23,249	1,158,268	167,664	3,561,498
Net income before extraordinary item	797,437	2,707,824	3,340,418	7,163,832
Extraordinary net (gain) loss on early extinguishment of debt	(62,647)	--	162,748	--
Net income attributable to common stockholders' - Basic and Diluted *	$ 860,084	$ 2,707,824	$ 3,177,670	$ 7,163,832
Per share data:				
Basic:				
Weighted average common shares outstanding	14,571,898	22,440,547	13,833,419	19,939,990
Net income per share	$ 0.06	$ 0.12	$ 0.23	$ 0.36
Supplemental net income attributable to common stockholders after giving effect to S corporation distributions of $107,000 and $571,000 for the three and the nine months ended July 31, 1998, respectively	$ 0.05	$ 0.12	$ 0.19	$ 0.36
Diluted:				
Weighted average common shares outstanding	17,944,299	23,292,541	16,419,237	21,205,200
Net income per share	$ 0.05	$ 0.12	$ 0.19	$ 0.34
Supplemental net income attributable to common stockholders after giving effect to S corporation distributions of $107,000 and $571,000 for the three and the nine months ended July 31, 1998, respectively	$ 0.04	$ 0.12	$ 0.16	$ 0.34

* Net income includes acquired S corporation net income of $290,070 (unaudited) and $616,245 (unaudited) for the three and nine months ended July 31, 1998, respectively.

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the nine months ended July 31, 1998 (unaudited) and 1999 (unaudited)

	Nine months ended July 31, 1998	1999
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 3,177,671	$ 7,163,832
Adjustment to retained earnings as a result of business combination, see (A) below	(581,089)	--
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,218,272	1,743,567
Loss on disposal of fixed asset	--	57,504
Extraordinary net loss on early extinguishment of debt	162,748	--
Equity in earnings of affiliate	--	(110,972)
Realization of deferred tax asset	--	941,000
Tax benefit from exercise of stock options	--	753,523
Provision for allowances	1,834,086	537,087
Inventory reserve allowances	--	223,827
Amortization of Gathering purchase option	--	201,316
Amortization of deferred compensation	79,137	162,255
Forfeiture of compensatory stock options in connection with AIM acquistion	--	(146,418)
Amortization of loan discounts	888,777	2,219
Amortization of deferred financing costs	246,204	--
Issuance of compensatory stock	--	641,909
Changes in operating assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(1,786,940)	(8,806,651)
Increase in inventories, net	(771,753)	(5,358,443)
Increase in prepaid royalties	(104,834)	(9,051,185)
(Increase) decrease in advances to developers	(5,000,000)	3,129,436
Decrease (increase) in prepaid expenses and other current assets	1,581,375	(742,318)
Decrease in capitalized software development costs	2,223,473	159,686
Decrease in other assets, net	--	33,259
Decrease in accounts payable	(8,925,184)	(4,190,634)
Increase in accrued expenses	2,412,969	3,175,522
Decrease in advances-principally distributors	(935,770)	(136,000)
Decrease in due to/from related parties	(115,877)	--
Net cash used in operating activities	(4,396,735)	(9,616,679)
Cash flows from investing activities:		
Purchases of fixed assets	(365,310)	(1,903,971)
Proceeds from sale of fixed assets	--	34,000
Cash paid for investment in Gathering of Developers	--	(4,000,000)
Payments made for termination of capital lease	(233,145)	--
Acquisition, net cash (paid) acquired	(1,186,874)	5,182
Net cash used in investing activities	(1,785,329)	(5,864,789)
Cash flows from financing activities:		
Issuance of stock in connection with the secondary public offering, net of issuance costs of $2,187,441	--	21,852,559
Redemption of Preferred Stocks	(317)	--
Proceeds from Private Placement, net	5,980,333	--
Net borrowings (repayment) under the line of credit	1,295,088	(7,637,956)
Proceeds from notes payable	803,800	--
Repayment on notes payable	(3,855,713)	(449,572)
Proceeds from exercise of stock options	136,665	2,187,321
Proceeds from the exercise of public warrants	--	223,926
Repayment of capital lease obligation	(51,202)	(70,932)
Distribution to S corporation shareholders	(571,000)	--
Net cash provided by financing activities	3,737,654	16,105,346
Effect of foreign exchange rates	374,492	(468,574)
Net (decrease) increase in cash for the period	(2,069,918)	155,304
Cash and cash equivalents, beginning of the period	2,372,194	2,762,837
Cash and cash equivalents, end of the period	$ 302,276	$ 2,918,141
The Company acquired equipment under a capital lease obligation	$ 68,307	$ --
Supplemental disclosure of non-cash investing and financing activities:		
Tax benefit in connection with the exercise of stock options	$ --	$ 753,523
Gathering purchase option	$ --	$ 1,275,000
Supplemental information on businesses acquired:		
Fair value of assets acquired		
Cash	$ 313,126	$ 343,865
Accounts receivables, net	2,642,301	5,852,779
Inventories, net	6,753,939	2,301,672

Prepaid expenses and other assets	366,883	320,123
Property and equipement, net	97,580	629,155
Goodwill	2,008,119	4,960,891
Less, liabilities assumed		
Line of credit	(3,925,608)	(2,210,517)
Accounts payable	(4,779,229)	(6,132,408)
Accrued expenses	(108,111)	(370,972)
Stock issued	(1,615,706)	(5,119,165)
Options issued	(253,294)	--
Direct transaction costs	--	(236,740)
Cash paid	1,500,000	338,683
Less, cash acquired	(313,126)	(343,865)
Net cash paid (acquired)	$ 1,186,874	$ (5,182)

(A) For the purposes of pooling of interests accounting, the statement of operations for the year ended October 31, 1997 was combined with JAG's and Talonsoft's December 31, 1997 statement of operations. The Company's statement of operations for the year ended October 31, 1998 includes JAG's and Talonsoft's restated statement of operations for the period November 1, 1997 to October 31, 1998. Accordingly, JAG's and Talonsoft's net income of $431,527 and $149,562, respectively, for the two months ended December 31, 1997 have been reflected as an adjustment to retained earnings for the year ended October 31, 1998.

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
For the year ended October 31, 1998 (unaudited) and the
nine months ended July 31, 1999 (unaudited)

	Class A Preferred Stock		Series A Convertible Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, October 31, 1997	317	$ 317	--	$ --	13,033,379	$ 130,333
Issuance of common stock and compensatory stock options in connection with AIM acquisition	--	--	--	--	500,000	5,000
Issuance of preferred stock in connection with BMG acquisition	--	--	1,850,000	18,500	--	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--	(1,850,000)	(18,500)	1,850,000	18,500
Issuance of common stock in connection with Directsoft acquisition	--	--	--	--	40,000	400
Redemption of preferred stock	(317)	(317)	--	--	--	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	--	--	--	--	158,333	1,583
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	--	--	--	--	770,000	7,700
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	--	--	--	--	897,183	8,972
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	--	--	--	--	160,000	1,600
Conversion of warrants to common stock issued in connection with 1996 private placement	--	--	--	--	378,939	3,789
Exercise of stock options	--	--	--	--	252,000	2,520
Issuance of common stock in connection with early extinguishment debt	--	--	--	--	32,138	322
Issuance of compensatory stock options	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Distributions to S corporation shareholders prior to acquisition	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	--	--	--	--	--
Balance, October 31, 1998	--	--	--	--	18,071,972	180,719
Issuance of compensatory stock options	--	--	--	--	511,923	5,119
Exercise of stock options	--	--	--	--	541,905	5,420
Amortization of deferred compensation	--	--	--	--	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	--	--	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--	--	--	366,297	3,663
Issuance of common stock in connection with DVDWave.com acquisition	--	--	--	--	50,000	500
Issuance of common stock in connection with Funsoft acquisition	--	--	--	--	106,265	1,063
Issuance of common stock in connection with the investment in Gathering	--	--	--	--	125,000	1,250
Conversion of warrants to common stocks issued in connection with IPO	--	--	--	--	40,795	408
Issuance of common stock in connection with a public offering, net of issuance costs	--	--	--	--	3,005,000	30,050

Issuance of common stock in lieu of royalty payments					55,000	550
Tax benefit in connection with the exercise of stock options	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Balance, July 31, 1999 (unaudited)	--	$ --	--	$ --	22,874,157	$ 228,742

	Additional Paid-in Capital	Deferred Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income
Balance, October 31, 1997	$ 15,551,501	$ (17,250)	$ (3,599,483)	$ (130,706)
Issuance of common stock and compensatory stock options in connection with AIM acquisition	1,864,000	(253,294)	--	--
Issuance of preferred stock in connection with BMG acquisition	9,520,563	--	--	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--	--	--
Issuance of common stock in connection with Directsoft acquisition	256,100	--	--	--
Redemption of preferred stock	--	--	--	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	896,750	--	--	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	5,049,300	--	--	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	(8,972)	--	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	(1,600)	--	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	--	--	--	--
Exercise of stock options	156,743	--	--	--
Issuance of common stock in connection with early extinguishment debt	187,032	--	--	--
Issuance of compensatory stock options	75,000	(75,000)	--	--
Amortization of deferred compensation	--	121,887	--	--
Distributions to S corporation shareholders prior to acquisition	--	--	(931,000)	--
Foreign currency translation adjustment	--	--	--	123,273
Net income	--	--	7,181,094	--
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	--	--	(581,089)	--
Balance, October 31, 1998	33,546,417	(223,657)	2,069,522	(7,433)
Issuance of compensatory stock options	642,415	(5,625)	--	--
Exercise of stock options	2,181,938	--	--	--
Amortization of deferred compensation	--	162,254	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	(146,418)	--	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	3,732,566	--	--	--
Issuance of common stock in connection with DVDWave.com acquisition	505,750	--	--	--
Issuance of common stock in connection with Funsoft acquisition	875,623	--	--	--
Issuance of common stock in connection with the investment in Gathering	1,273,750	--	--	--
Conversion of warrants to common stocks issued in connection with IPO	223,481	--	--	--
Issuance of common stock in connection with a				

public offering, net of issuance costs	21,822,509	--	--	--
Issuance of common stock in lieu of royalty payments	332,200			
Tax benefit in connection with the exercise of stock options	753,523	--	--	--
Foreign currency translation adjustment	--	--	--	(554,999)
Net income	--	--	7,163,832	--
Balance, July 31, 1999 (unaudited)	$ 65,743,754	$ (67,028)	$ 9,233,354	$ (562,432)

	Total	Comprehensive Income (Loss)
Balance, October 31, 1997	$ 11,934,712	$ (2,899,097)
Issuance of common stock and compensatory stock options in connection with AIM acquisition	1,615,706	--
Issuance of preferred stock in connection with BMG acquisition	9,539,063	--
Conversion of preferred stock to common stock issued in connection with BMG acquisition	--	--
Issuance of common stock in connection with Directsoft acquisition	256,500	--
Redemption of preferred stock	(317)	--
Issuance of common stock in connection with March 1998 private placement, net of issuance costs	898,333	--
Issuance of common stock in connection with May 1998 private placement, net of issuance costs	5,057,000	--
Cashless exercise of public warrants, 1 share of common stock for 2 warrants surrendered	--	--
Cashless exercise of underwriters' warrants, 1 share of common stock for 2 warrants surrendered	--	--
Conversion of warrants to common stock issued in connection with 1996 private placement	3,789	--
Exercise of stock options	159,263	--
Issuance of common stock in connection with early extinguishment debt	187,354	--
Issuance of compensatory stock options	--	--
Amortization of deferred compensation	121,887	--
Distributions to S corporation shareholders prior to acquisition	(931,000)	--
Foreign currency translation adjustment	123,273	123,273
Net income	7,181,094	7,181,094
Less: net income of JAG and Talonsoft for the two months ended December 31, 1997	(581,089)	--
Balance, October 31, 1998	35,565,568	7,304,367
Issuance of compensatory stock options	641,909	--
Exercise of stock options	2,187,358	--
Amortization of deferred compensation	162,254	--
Forfeiture of compensatory stock options in connection with AIM acquisition	(146,418)	--
Issuance of common stock in connection with LDA and Joytech acquisition	3,736,229	--
Issuance of common stock in connection with DVDWave.com acquisition	506,250	--
Issuance of common stock in connection with Funsoft acquisition	876,686	--
Issuance of common stock in connection with the investment in Gathering	1,275,000	--
Conversion of warrants to common stocks issued in connection with IPO	223,889	--

Issuance of common stock in connection with a public offering, net of issuance costs	21,852,559	--
Issuance of common stock in lieu of royalty payments	332,750	
Tax benefit in connection with the exercise of stock options	753,523	--
Foreign currency translation adjustment	(554,999)	(554,999)
Net income	7,163,832	7,163,832
Balance, July 31, 1999 (unaudited)	$ 74,576,390	$ 6,608,833

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

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Notes to Condensed Interim Consolidated Financial Statements
(Information at July 31, 1999 and for the three and nine month periods ended July 31, 1998 and 1999 is unaudited)

1. Business:

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

2. Significant Accounting Policies and Transactions:

Basis of Presentation

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

In the opinion of management, all adjustments (consisting only of normal recurring entries necessary for a fair presentation) have been included. Operating results for the three and nine month periods ended July 31, 1999 are not necessarily indicative of the results that may be expected for the year ended October 31, 1999. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-KSB for the year ended October 31, 1998.

Revenue Recognition

Distribution revenue is derived from the sale of interactive software games bought from third parties and is recognized upon the shipment of product to retailers. Distribution revenue amounted to $15,803,076 and $20,946,961 for the three months ended July 31, 1998 and 1999, respectively, and $70,398,601 and $86,362,777 for the nine months ended July 31, 1998 and 1999, respectively. The Company's distribution arrangements with retailers generally do not give them the right to return products to the Company or to cancel firm orders, although the Company does accept product returns for stock balancing, price protection and defective products. The Company sometimes negotiates accommodations to retailers, including price discounts, credits and product returns, when demand for specific products fall below expectations. Historically, less than 1% of distribution revenues represent write-offs for returns.

Publishing revenue is derived from the sale of internally developed interactive software games or from the sale of products licensed from a third party developer and is recognized upon the shipment of product to retailers. Publishing revenue amounted to $22,623,069 and $42,615,509 for the three months ended July 31, 1998 and 1999, respectively, and $59,381,275 and $97,645,678 for the nine months ended July 31, 1998 and 1999, respectively. The Company's publishing arrangements with retailers require the Company to accept product returns for stock balancing, markdowns or defective products. The Company establishes a reserve for future returns of published products at the time of product sales, based primarily on these return policies and historical return rates, and the Company recognizes revenues net of product returns.

The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues.

Geographic Information

For the three months ended July 31, 1998 and 1999, the Company's net sales in domestic markets accounted for approximately 73.9% and 66.1%, respectively, and net sales in international markets accounted for 26.1% and 33.9%, respectively. For the nine months ended July 31, 1998 and 1999, the Company's net sales in domestic markets accounted for approximately 82.2% and 70.1%, respectively, and net sales in international markets accounted for 17.8% and 29.9%, respectively.

As of July 31, 1999, the Company's net fixed assets in domestic and international markets are $1,937,868 and $1,790,413, respectively.

3. Business Acquisitions

In August 1998, the Company acquired all the outstanding stock of Jack of All Games, Inc. ("JAG"). JAG is engaged in the distribution of interactive software games. To effect the acquisition, all of the outstanding shares of common stock of JAG were exchanged for 2,750,000 shares of common stock of the Company.

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

The acquisitions have been accounted for as a pooling of interests in accordance with APB No. 16 and accordingly, the accompanying financial statements have been restated to include the results of operations and financial position for all periods presented prior to the business combinations. Certain operating expenses were reclassed to be consistent with the Company's financial statement presentation.

Separate results of the combining entities for the three and nine months ended July 31, 1998 and 1999 are as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1998	1999	1998	1999
Total revenues:				
Take-Two	$ 21,906,481	$ 60,449,600	$ 66,897,031	$ 178,050,733
JAG (1)	15,637,907		60,954,023	
Talonsoft	881,757	3,112,870	1,928,822	5,957,722
	$ 38,426,145	$ 63,562,470	$ 129,779,876	$ 184,008,455
Net income-Basic and Diluted				
Take-Two	$ 227,901	$ 2,061,909	$ 2,098,043	$ 6,235,025
JAG (1)	397,070		1,187,245	
Talonsoft	235,113	645,915	(107,618)	928,807
	$ 860,084	$ 2,707,824	$ 3,177,670	$ 7,163,832
Net income per share - Basic	$ 0.06	$ 0.12	$ 0.23	$ 0.36
Net income per share - Diluted	$ 0.05	$ 0.12	$ 0.19	$ 0.34

(1) In February 1999, JAG was merged into Alliance Inventory Management ("AIM") and AIM changed its name to JAG. Therefore, for 1999, JAG results are included in the Take-Two line item.

4. Gathering of Developers

In February 1999, the Company purchased 19.9% of Class A limited partnership interests of Gathering of Developers I, Ltd. ("Gathering") for $4 million. Gathering is a developer-driven computer and video game publishing company. The investment has been accounted for by the equity method in accordance with APB No. 18. The difference between the carrying value of the investment and the underlying equity in the net assets amounted to $4,376,529, which was recorded as an intangible asset. This intangible asset is being amortized under the straight-line method over the period of expected benefit of seven years.

5. Secondary Public Offering

In May 1999, the Company consummated a secondary public offering of 4,005,000 shares of common stock (including 505,000 common shares issued pursuant to an over-allotment option), which included 3,005,000 shares offered by the Company and 1,000,000 shares offered by selling shareholders. The proceeds from the offering were $21,852,559, net of discounts and commissions and offering expenses of $2,187,441.

6. Income Taxes

The provisions for income taxes for the three months ended July 31, 1998 and 1999 are based on the Company's estimated annualized tax rate for the respective years, after giving effect to the utilization of available tax credits.

7. Comprehensive Income

For the nine months ended July 31, 1998 and 1999, the components of comprehensive income were:

	Nine Months Ended July 31, 1998	1999
Net income	$ 3,177,670	$ 7,163,832
Change in foreign currency translation adjustment	557,038	(554,999)
Total comprehensive income	$ 3,734,708	$ 6,608,833

8. Net Income per Share

The following table provides a reconciliation of basic earnings per share to dilutive earnings per share for the three and nine months ended July 31, 1998 and 1999.

	Income	Shares	Per Share Amount
Three Months Ended July 31, 1998:			
Basic EPS	$ 860,084	14,571,898	$ .06
Effect of dilutive securities - Stock options and warrants		3,372,401	(.01)
Diluted EPS	$ 860,084	17,944,299	$ .05
Three Months Ended July 31, 1999:			
Basic EPS	$ 2,707,824	22,440,547	$ .12
Effect of dilutive securities - Stock options and warrants		851,994	--
Diluted EPS	$ 2,707,824	23,292,541	$ .12
Nine Months Ended July 31, 1998:			
Basic EPS	$ 3,177,670	13,833,419	$ .23
Effect of dilutive securities - Stock options and warrants		2,585,818	(.04)
Diluted EPS	$ 3,177,670	16,419,237	$ .19
Nine Months Ended July 31, 1999:			
Basic EPS	$ 7,163,832	19,939,990	$ .36
Effect of dilutive securities - Stock options and warrants		1,265,210	(.02)
Diluted EPS	$ 7,163,832	21,205,200	$ .34

The computation for diluted number of shares excludes unexercised stock options and warrants which are anti-dilutive. The number of such shares were 320,000 and 215,000 for the periods ended July 31, 1998 and 1999, respectively.

9. Subsequent Events

In August 1999, the Company purchased a 19.9% equity interest in Bungie Software Products Corporation ("Bungie") for $5,000,000. Bungie is a developer of computer games. The Company also entered into an agreement with Bungie, which granted the Company the exclusive right to distribute in North America and publish in Europe and Australia four Bungie titles. The Company agreed to pay Bungie $6,000,000 in recoupable advances in connection with this agreement.

In August 1999, the Company acquired all the outstanding stock of Triad Distributors, Inc. ("Triad") and Global Star Software ("Global"). Triad and Global are a distributor and publisher, respectively, of interactive PC software in Canada. The total cost of the acquisition was $2,000,000, consisting of a cash payment of $700,000, and the issuance of 162,500 restricted shares of common stock. The purchase price is subject to downward adjustment under certain circumstances.

In August 1999, JAG amended its line of credit agreement with NationsBank, N.A. to provide for borrowings of up to $50,000,000 through April 30, 2000 and $45,000,000 thereafter.

In August 1999, Take-Two Interactive Software Europe Limited amended its line of credit agreement with Barclays Bank to provide for borrowings of up to approximately (pound)10,600,000 ($17,170,516).

Item 2.

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

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained herein which are not historical facts are forward looking statements that involve risks and uncertainties, including but not limited to, risks associated with our future growth and operating results, our ability to successfully integrate the businesses and personnel of newly acquired entities into our operations, changes in consumer preferences and demographics, technological change, product and platform obsolescence, product returns, competitive factors, unfavorable general economic conditions, Year 2000 compliance and other factors described herein and in our most recent Registration Statement on Form S-3 filed with the Securities and Exchange Commission. Actual results may vary significantly from such forward looking statements.

Overview

We derive our principal sources of revenues from publishing and distribution activities. Publishing revenues are derived from the sale of internally developed software products or products licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware products. Publishing activities generally generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of cartridges designed for video game consoles. We recognize revenues from software sales when products are shipped.

Our published products are subject to return if not sold to consumers, including for stock balancing, markdowns or defective products. We establish a reserve for future returns of published products at the time of product sales based primarily on these return policies and historical return rates. We recognize revenues net of product returns. We have historically experienced a product return rate of approximately 10% of gross publishing revenues. Less than 1% of our distribution revenues represent write-offs for returns. If future product returns significantly exceed our reserves, our operating results could 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 our statement of operations:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1998	1999	1998	1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	73.3	69.1	76.1	72.6
Research and development costs	1.4	1.6	1.2	1.2
Selling and marketing	11.6	10.9	9.6	8.9
General and administrative	8.9	10.7	7.0	9.4
Depreciation and amortization	1.1	1.1	0.9	0.9
Interest expense	1.5	0.7	2.4	1.1
Income taxes	0.1	1.8	0.1	1.9
Net income	2.2	4.3	2.4	3.9

The following table sets forth the approximate percentages of publishing revenues derived from sales of titles designed to operate on specific platforms during the periods indicated:

	Three Months Ended July 31,		Nine Months Ended July 31,	
Platform	1998	1999	1998	1999
PC	13.5%	42.7%	24.5%	39.6%
Video Game Consoles	86.5%	52.4%	75.5%	54.4%
Accessories (Joytech)	--%	4.9%	--%	6.0%
	100.0%	100.0%	100.0%	100.0%

Results of Three Months Ended July 31, 1998 and 1999

Net Sales. Net sales increased by $25,136,325, or 65.4%, from $38,426,145 for the three months ended July 31, 1998 to $63,562,470 for the three months ended July 31, 1999. The increase in net sales was primarily due to our expanded publishing activities. Net sales attributable to publishing activities increased by $19,992,440, or 88.4%, from $22,623,069 to $42,615,509 for these periods, with publishing revenues, as a percentage of net sales, increasing to 67.0% from 58.9%. The increase reflects shipments in the quarter of Monster Truck Madness 64, In-Fisherman's Bass Hunter 64, Hidden & Dangerous and Jagged Alliance 2.

Cost of Sales. Cost of sales increased by $15,760,818, or 56.0%, from $28,170,283 for the three months ended July 31, 1998 to $43,931,101 for the three months ended July 31, 1999. This increase is primarily a result of our expanded operations. Cost of sales as a percentage of net sales decreased to 69.1% from 73.3% for these periods. The decrease in cost of sales as a percentage of sales was due to an increase in publishing revenues, which provide higher margins than distribution revenues, and an increase in sales of PC software, which provide higher margins than sales of video game cartridges. Publishing revenues attributable to PC software as a percentage of net sales increased to 42.7% from 13.5% for these periods.

Research and Development. Research and development costs increased by $440,416, or 80.6%, from $546,429 for the three months ended July 31,1998 to $986,845 for the three months ended July 31, 1999. This increase is primarily attributable to increased staffing at our development studios. Research and development costs as a percentage of net sales remained relatively constant from period to period.

Selling and Marketing. Selling and marketing expenses increased by $2,486,187, or 56.0%, from $4,439,687 for the three months ended July 31, 1998 to $6,925,874 for the three months ended July 31, 1999. The increase was primarily attributable to increased staffing, advertising, sales commissions and trade show expenses in connection with our expanded publishing business. Selling and marketing expenses as a percentage of net sales decreased to 10.9% from 11.6% for these periods.

General and Administrative. General and administrative expenses increased by $3,348,717, or 97.6%, from $3,430,843 for the three months ended July 31, 1998 to $6,779,560 for the three months ended July 31, 1999. General and administrative expenses as a percentage of net sales increased to 10.7% from 8.9% for these periods. This increase in general and administrative expenses in both absolute dollars and as a percentage of net sales is primarily attributable to the hiring of additional staff, and rent, insurance premiums, and professional fees associated with our expanded operations.

Depreciation and Amortization. Depreciation and amortization expense increased by $291,672, or 66.5%, from $438,474 for the three months ended July 31, 1998 to $730,146 for the three months ended July 31, 1999. The increase is primarily due to the depreciation of assets and amortization of goodwill that resulted from recent acquisitions. Depreciation and amortization expense as a percentage of net sales remained constant from period to period.

Interest Expense. Interest expense decreased by $125,918, or 21.7%, from $579,743 for the three months ended July 31, 1998 to $453,825 for the three months ended July 31, 1999. The decrease resulted primarily from lower interest rates on borrowings.

Income Taxes. Income taxes increased by $1,135,019, from $23,249 for the three months ended July 31, 1998 to $1,158,268 for the three months ended July 31, 1999. The increase resulted from higher profitability for the three months ended July 31, 1999 and the full utilization of net operating loss carryforwards in fiscal 1998.

As a result of the foregoing, we achieved net income of $2,707,824 for the three months ended July 31, 1999, as compared to net income of $860,084 for the three months ended July 31, 1998.

Results of Nine Months Ended July 31, 1998 and 1999

Net Sales. Net sales increased by $54,228,579, or 41.8%, from $129,779,876 for the nine months ended July 31, 1998 to $184,008,455 for the nine months ended July 31, 1999. The increase in net sales was primarily attributable to our expanded domestic and international publishing activities. Net sales from publishing activities increased by $38,264,403, or 64.4%, from $59,381,275 to $97,645,678 for these periods. This increase reflects shipments of the Grand Theft Auto franchise, In-Fisherman's Bass Hunter 64, Monster Truck Madness 64, Hidden and Dangerous, Fly!, and Railroad Tycoon II. Publishing revenues as a percentage of net sales increased to 53.1% for the nine months ended July 31, 1999 from 45.8% for the nine months ended July 31, 1998.

Cost of Sales. Cost of sales increased by $34,738,665, or 35.2%, from $98,815,293 for the nine months ended July 31, 1998 to $133,553,958 for the nine months ended July 31, 1999. This increase is primarily a result of our expanded operations. Cost of sales as a percentage of net sales decreased to 72.6% from 76.1% for these periods primarily due to the increase in higher margin publishing revenues. Publishing revenues attributable to PC software as a percentage of net sales increased to 39.6% from 24.5% for these periods.

Research and Development. Research and development costs increased by $659,194, or 42.5%, from $1,551,800 for the nine months ended July 31, 1998 to $2,210,994 for the nine months ended July 31, 1999. This increase was primarily attributable to increased staffing at our development studios. Research and development costs as a percentage of net sales remained relatively constant from period to period.

Selling and Marketing. Selling and marketing expenses increased by $3,932,219, or 31.5%, from $12,483,124 for the nine months ended July 31, 1998 to $16,415,343 for the nine months ended July 31, 1999. The increase was primarily attributable to the expansion of our publishing business and the establishment of marketing programs to broaden product distribution and to assist retailers in positioning our products for sale to consumers. Selling and marketing expenses as a percentage of net sales decreased to 8.9% from 9.6% for these periods.

General and Administrative. General and administrative expenses increased by $8,256,729, or 90.7%, from $9,102,708 for the nine months ended July 31, 1998 to $17,359,437 for the nine months ended July 31, 1999. General and administrative expenses as a percentage of net sales increased to 9.4% from 7.0% for these periods. The increases are primarily attributable to the hiring of additional staff, and rent, insurance premiums, and professional fees associated with our expanded operations.

Depreciation and Amortization. Depreciation and amortization expense increased by $525,294, or 43.1%, from $1,218,273 for the nine months ended July 31, 1998 to $1,743,567 for the nine months ended July 31, 1999. The increase is primarily due to the depreciation of assets and amortization of goodwill that resulted from recent acquisitions. Depreciation and amortization expense as a percentage of net sales remained constant from period to period.

Interest Expense. Interest expense decreased by $1,047,301, or 33.8%, from $3,100,596 for the nine months ended July 31, 1998 to $2,053,295 for the nine months ended July 31, 1999. The decrease resulted primarily from amortization of discount on borrowings in 1998.

Income Taxes. Income taxes increased by $3,393,834, or 2,024.2%, from $167,664 for the nine months ended July 31, 1998 to $3,561,498 for the nine months ended July 31, 1999. The increase resulted from higher profitability for the nine months ended July 31, 1999 and the full utilization of net operating loss carryforwards in fiscal 1998.

As a result of the foregoing, we achieved net income of $7,163,832 for the nine months ended July 31, 1999, as compared to net income of $3,177,670 for the nine months ended July 31, 1998

Liquidity and Capital Resources

Our primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of software products. We have historically financed our operations primarily through the issuance of debt and equity securities and bank borrowings. At July 31, 1999, we had working capital of $50,782,230 as compared to working capital of $21,797,097 at October 31, 1998.

Net cash used in operating activities for the nine months ended July 31, 1999 was $9,616,679 as compared to $4,396,735 for the nine months ended July 31, 1998. The increase was primarily attributable to an increase in accounts receivable and inventories. Net cash used in investing activities for the nine months ended July 31, 1999 was $5,864,789 as compared to net cash used in investing activities of $1,785,329 for the nine months ended July 31, 1998. The increase in net cash used in investing activities was primarily attributable to our investment in Gathering. Net cash provided by financing activities for the nine months ended July 31, 1999 was $16,105,346 as compared to $3,737,654 for the nine months ended July 31,

1998. The increase was primarily attributable to the receipt of the proceeds of the secondary public offering. At July 31, 1999, we had cash and cash equivalents of $2,918,141.

In May 1999, we consummated a secondary public offering of 4,005,000 shares of common stock, including 505,000 common shares issued pursuant to an over-allotment option, which included 3,005,000 shares offered by us and 1,000,000 shares offered by selling shareholders. The proceeds from the offering were $21,852,559, net of discounts and commissions and offering expenses of $2,187,441.

In August 1999, JAG amended its line of credit agreement with NationsBank, N.A. ("NationsBank") to provide for borrowings of up to $50,000,000 through April 30, 2000 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 or (ii) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at NationsBank's prime rate plus 0.5% and is payable monthly. Borrowings under the line of credit are collateralized by all of JAG's accounts, inventory, equipment, general intangibles, securities and other personal property. In addition to certain financial covenants, the loan agreement limits or prohibits JAG from declaring or paying cash dividends, merging or consolidation with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The line of credit expires on February 28, 2001.

In August 1999, Take-Two Interactive Software Europe Limited amended its line of credit agreement with Barclays Bank to provide for borrowings of up to approximately (pound)10,600,000 ($17,170,516). Advances under the line of credit bear interest at the rate of 1.4% over Barclay's base rate per annum, payable quarterly. Borrowings are collateralized by receivables of all European subsidiaries, which must be at least 200% of the amount outstanding under the line of credit, and are guaranteed by us. The line of credit is cancellable and repayable upon demand and is subject to review prior to December 31, 1999.

Our accounts receivable at July 31, 1999 were $63,261,214, net of allowances of $1,475,364. Approximately $6,767,644, or 10.7%, of our net accounts receivable were due from Walmart. These receivables are covered by insurance and generally have bee collected in the ordinary course of business. Delays in collection or uncollectibility of accounts receivable could adversely affect our working capital position. We are subject to credit risks, particularly in the event that any of our receivables represent sales to a limited number of retailers or are concentrated in foreign markets.

As of the date of this report, we have no material commitments for capital expenditures.

Fluctuations in Operating Results and Seasonality

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

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

International Operations

Sales in international markets, primarily in the United Kingdom and other countries in Europe and the Pacific Rim, have accounted for an increasing portion of our revenues. For the nine months ended July 31, 1998 and 1999, sales in international markets accounted for approximately 17.8% and 29.9%, respectively, of our revenues. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant impact on our operating results. Sales in France and Germany are made in local currencies.

Year 2000

The inability of many existing computers to recognize and properly process data as the Year 2000 approaches may cause many computer software applications to fail or reach erroneous results. We have assessed potential issues that may result from the Year 2000 and have recently upgraded our accounting and management software for purposes of becoming Year 2000 compliant. We are in the process of testing this upgraded software.

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

PART II - OTHER INFORMATION

Item 2. Changes in Securities

In May 1999, we issued 55,000 shares of common stock in lieu of royalties payable to an employee.

In May 1999, we issued 3,703 shares of common stock upon the exercise of warrants issued in connection with a private placement. The warrants had an exercise price of $.01 per share.

In May and June 1999, 533,000 options from the 1997 Stock Option Plan and 226,500 non-plan options were granted to our employees at exercise prices ranging from $7.50 to $8.00.

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

Item 6. Exhibits and Reports on Form 8-K

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

(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/ Ryan A. Brant Dated: September 7, 1999

Ryan A. Brant
Chief Executive Officer

By: /s/ Larry Muller Dated: September 7, 1999

Larry Muller
Chief Financial Officer

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

9-MOS
Oct-31-1999
Jul-31-1999
2,918,141
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184,008,455
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133,553,958
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2,053,295
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