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, 2000

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 8, 2000, there were 31,002,552 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
QUARTER ENDED JULY 31, 2000

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Item 1.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
Consolidated Condensed Balance Sheets
As of July 31, 2000 and October 31, 1999 (unaudited)

ASSETS:	July 31, 2000	October 31, 1999
Current assets:		
Cash and cash equivalents	$ 2,631,068	$ 10,374,562
Accounts receivable, net of allowances of $3,921,494 and $6,816,682, respectively	85,173,092	108,802,903
Inventories	41,214,022	41,299,838
Prepaid royalties	20,844,252	20,118,160
Prepaid expenses and other current assets	9,183,915	6,374,031
Marketable securities	3,559,399	--
Deferred tax asset	2,357,249	2,004,689
Total current assets	164,962,997	188,974,183
Fixed assets, net	6,230,260	4,120,317
Prepaid royalties	860,000	1,510,530
Capitalized software development costs, net	9,796,522	2,226,670
Investment in affiliates	--	3,954,668
Intangibles, net of accumulated amortization of $9,248,842 and $3,251,358 respectively	116,442,511	30,856,983
Other assets, net	1,076,557	1,073,026
Total assets	$ 299,368,847	$ 232,716,377

LIABILITIES and STOCKHOLDERS' EQUITY:	July 31, 2000	October 31, 1999
Current liabilities:		
Accounts payable	$ 38,730,790	$ 71,229,744
Accrued expenses	17,680,878	20,161,810
Lines of credit	46,478,365	56,047,846
Current portion of capital lease obligation	82,998	65,204
Notes payable, net of discount	--	30,611
Total current liabilities	102,973,031	147,535,215
Note payable, net of current portion	--	58,363
Loan payable, net of unamortized discount	12,121,820	--
Capital lease obligation, net of current portion	329,323	19,882
Other liabilities	1,889,953	--
Total liabilities	117,314,127	147,613,460
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $.01 per share; 50,000,000 shares authorized; 30,958,055 and 23,085,455 shares issued and outstanding	309,581	230,855
Additional paid-in capital	157,147,567	67,345,381
Deferred compensation	(14,135)	(47,925)
Retained earnings	31,096,526	18,401,625
Accumulated other comprehensive loss	(6,484,819)	(827,019)
Total stockholders' equity	182,054,720	85,102,917
Total liabilities and stockholders' equity	$ 299,368,847	$ 232,716,377

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.
Consolidated Condensed Statements of Operations
For the three months ended July 31, 2000 and 1999
and the nine months ended July 31, 2000 and 1999 (unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2000	1999	2000	1999
Net sales	$71,472,587	$63,562,470	$ 264,398,385	$184,008,455
Cost of sales	40,100,344	43,931,101	168,155,154	133,553,958
Gross profit	31,372,243	19,631,369	96,243,231	50,454,497
Operating expenses:				
Selling and marketing	9,055,486	6,925,874	34,243,171	16,415,343
General and administrative	9,105,921	6,779,560	25,725,552	17,416,941
Research and development costs	1,656,737	986,845	4,646,045	2,210,994
Depreciation and amortization	3,821,587	730,146	7,398,041	1,743,567
One time charge related to abandoned offering	1,103,170	--	1,103,170	--
Total operating expenses	24,742,901	15,422,425	73,115,979	37,786,845
Income from operations	6,629,342	4,208,944	23,127,252	12,667,652
Interest expense, net	1,635,618	453,825	4,516,708	2,053,295
Income before equity in income/(loss) of affiliate and provision for income taxes	4,993,724	3,755,119	18,610,544	10,614,357
Equity in income/(loss) of affiliate	--	110,973	(762,683)	110,973
Income before provision for income taxes	4,993,724	3,866,092	17,847,861	10,725,330
Provision for income taxes	1,544,753	1,158,268	6,258,022	3,561,498
Net income	$ 3,448,971	$ 2,707,824	$ 11,589,839	$ 7,163,832
Per share data:				
Basic:				
Weighted average common shares outstanding	29,061,499	22,440,547	25,981,014	19,939,990
Net income per share	$ 0.12	$ 0.12	$ 0.45	$ 0.36
Diluted:				
Weighted average common shares outstanding	29,879,265	23,292,541	26,992,485	21,205,200
Net income per share	$ 0.12	$ 0.12	$ 0.43	$ 0.34

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.
Consolidated Condensed Statements of Cash Flows
For the nine months ended July 31, 2000 and 1999 (unaudited)

	Nine months ended July 31, 2000	1999
Cash flows from operating activities:		
Net income	$ 11,589,839	$ 7,163,832
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,398,041	1,743,567
Loss on disposal of fixed asset	247,630	57,504
Net gain from eUniverse transactions	(2,801,449)	--
Equity in loss (earnings) of affiliate	762,683	(110,972)
Change in deferred tax asset	(352,560)	941,000
Provision for allowances	(1,734,921)	760,914
Forfeiture of compensatory stock options in connection with AIM acquisition	--	(146,418)
Other amortization	283,889	365,790
Issuance of compensatory stock	--	641,909
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease (increase) in accounts receivable	30,008,597	(8,806,651)
Decrease (increase) in inventories, net	88,302	(5,358,443)
Increase in prepaid royalties	(16,127,467)	(5,921,749)
Increase in prepaid expenses and other current assets	(2,166,456)	(742,318)
(Increase) decrease in capitalized software development costs	(7,569,852)	159,686
(Increase) decrease in other assets, net	(976,557)	33,259
Decrease in accounts payable	(39,767,284)	(4,190,634)
(Decrease) increase in accrued expenses	(8,081,269)	3,039,522
Net cash used in operating activities	(29,198,834)	(10,370,202)
Cash flows from investing activities:		
Net purchases of fixed assets	(2,405,920)	(1,869,971)
Cash paid for investments	(1,432,500)	(4,000,000)
Acquisition, net cash (paid) acquired	(4,261,640)	5,182
Cash paid for prior acquisitions	(1,531,385)	--
Net cash used in investing activities	(9,631,445)	(5,864,789)
Cash flows from financing activities:		
Net proceeds from secondary public offering	--	21,852,559
Proceeds from private placement, net	19,689,684	--
Net repayment under the line of credit	(9,658,455)	(7,637,956)
Proceeds from loan payable	15,000,000	--
Repayment of notes payable	--	(449,572)
Proceeds from exercise of stock options	5,913,253	2,187,321
Proceeds from exercise of warrants	6,460	223,926
Proceeds from issuance of stock of subsidiary	1,500,000	--
Repayment of capital lease obligation	(56,363)	(70,932)
Tax benefit from exercise of stock options	1,940,655	753,523
Net cash provided by financing activities	34,335,234	16,858,869
Effect of foreign exchange rates	(3,248,449)	(468,574)
Net (decrease) increase in cash for the period	(7,743,494)	155,304
Cash and cash equivalents, beginning of the period	10,374,562	2,762,837
Cash and cash equivalents, end of the period	$ 2,631,068	$ 2,918,141
Supplemental disclosure of non-cash investing and financing activities:		
Tax benefit from the exercise of stock options	$ 1,940,655	$ 753,523
Gathering purchase option	$ --	$ 1,275,000
Supplemental information on businesses acquired:		
Fair value of assets acquired		
Cash	$ 196,100	$ 343,865
Accounts receivables, net	4,646,351	5,852,779
Inventories, net	--	2,301,672
Prepaid expenses and other assets	643,426	320,123
Property and equipment, net	1,077,216	629,155
Intangibles	90,391,069	4,960,891
Less, liabilities assumed		
Line of credit	--	(2,210,517)
Accounts payable	(7,268,330)	(6,132,408)
Accrued expenses	(449,777)	(370,972)
Deferred royalties	(15,926,905)	--
Other liabilities	(8,167,452)	--
Stock issued	(54,815,776)	(5,119,165)
Warrants issued	(1,750,000)	--
Direct transaction costs	(154,486)	(236,740)
Investment interest and purchase option	(3,963,696)	--

Cash paid	4,457,740	338,683
Less, cash acquired	(196,100)	(343,865)
Net cash paid (acquired)	$ 4,261,640	$ (5,182)

During the nine months ended July 31, 2000, the Company paid $1,531,385 in cash and issued $161,140 in common stock related to a prior period acquisition. Such payments were accounted for as additional consideration and had the effect of increasing intangibles.

The accompanying notes are an integral part of the consolidated condensed financial 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, 1999 and the nine months ended July 31, 2000
(unaudited)

	Common Stock		
	Shares	Amount	Additional Paid-in Capital
Balance, October 31, 1998	18,071,972	$180,719	$ 33,546,417
Issuance of compensatory stock options	536,923	5,369	831,203
Exercise of stock options	613,218	6,133	2,378,753
Amortization of deferred compensation	--	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	(146,418)
Issuance of common stock in connection with LDA and Joytech acquisition	364,766	3,648	3,716,965
Issuance of common stock in connection with DVDWave.com acquisition	50,000	500	505,750
Issuance of common stock in connection with Funsoft acquisition	60,281	603	466,575
Issuance of common stock in connection with the investment in affiliate	125,000	1,250	1,273,750
Issuance of common stock in connection with the Triad and Global acquisition	162,500	1,625	1,399,938
Proceeds from exercise of public warrants	40,795	408	223,481
Issuance of common stock in connection with a public offering, net of issuance costs	3,005,000	30,050	21,822,509
Issuance of common stock in lieu of royalty payments	55,000	550	332,200
Tax benefit in connection with the exercise of stock options	--	--	994,258
Foreign currency translation adjustment	--	--	--
Net income	--	--	--
Balance, October 31, 1999	23,085,455	230,855	67,345,381
Exercise of stock options	1,203,340	12,034	5,901,220
Amortization of deferred compensation	--	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	15,798	158	160,982
Issuance of common stock and warrants in connection with Pixel acquisition	2,561,245	25,612	40,303,140
Issuance of common stock in connection with GOD acquisition	1,060,017	10,600	10,390,817
Issuance of common stock in connection with PopTop acquisition	559,100	5,591	5,830,015
Issuance of common stock in connection with private placements, net of issuance costs	2,291,678	22,917	19,666,767
Issuance of warrants in connection with a debt financing	--	--	2,926,963
Proceeds from exercise of warrants	1,000	10	6,450
Issuance of common stock in lieu of repayment of debt assumed from Pixel	167,922	1,679	2,527,646
Issuance of common stock in connection with the purchase of DVD	12,500	125	147,531
Tax benefit in connection with the exercise of stock options	--	--	1,940,655
Foreign currency translation adjustment	--	--	--
Unrealized loss on available-for-sale securities	--	--	--
Net income	--	--	--
Balance, July 31, 2000	30,958,055	$309,581	$ 157,147,567

Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)

Balance, October 31, 1998	$(223,657)	$ 2,069,522	$ (7,433)
Issuance of compensatory stock options	(5,625)	--	--
Exercise of stock options	--	--	--
Amortization of deferred compensation	181,357	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--	--
Issuance of common stock in connection with DVDWave.com acquisition	--	--	--
Issuance of common stock in connection with Funsoft acquisition	--	--	--
Issuance of common stock in connection with the investment in affiliate	--	--	--
Issuance of common stock in connection with the Triad and Global acquisition	--	--	--
Proceeds from exercise of public warrants	--	--	--
Issuance of common stock in connection with a public offering, net of issuance costs	--	--	--
Issuance of common stock in lieu of royalty payments	--	--	--
Tax benefit in connection with the exercise of stock options	--	--	--
Foreign currency translation adjustment	--	--	(819,586)
Net income	--	16,332,103	--
Balance, October 31, 1999	(47,925)	18,401,625	(827,019)
Exercise of stock options	--	--	--
Amortization of deferred compensation	33,790	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--	--
Issuance of common stock and warrants in connection with Pixel acquisition	--	--	--
Issuance of common stock in connection with GOD acquisition	--	--	--
Issuance of common stock in connection with PopTop acquisition	--	--	--
Issuance of common stock in connection with private placements, net of issuance costs	--	--	--
Issuance of warrants in connection with a debt financing	--	--	--
Proceeds from exercise of warrants	--	--	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	--	--	--
Issuance of common stock in connection with the purchase of DVD	--	1,105,062	--
Tax benefit in connection with the exercise of stock options	--	--	--
Foreign currency translation adjustment	--	--	(3,248,449)
Unrealized loss on available-for-sale securities	--	--	(2,409,351)
Net income	--	11,589,839	--
Balance, July 31, 2000	$ (14,135)	$31,096,526	$(6,484,819)

	Total	Comprehensive Income (Loss)
Balance, October 31, 1998	$ 35,565,568	$ 7,304,367
Issuance of compensatory stock options	830,947	--
Exercise of stock options	2,384,886	--
Amortization of deferred compensation	181,357	--
Forfeiture of compensatory stock options in connection with AIM acquisition	(146,418)	--

Issuance of common stock in connection with LDA and Joytech acquisition	3,720,613	--
Issuance of common stock in connection with DVDWave.com acquisition	506,250	--
Issuance of common stock in connection with Funsoft acquisition	467,178	--
Issuance of common stock in connection with the investment in affiliate	1,275,000	--
Issuance of common stock in connection with the Triad and Global acquisition	1,401,563	--
Proceeds from exercise of public warrants	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	994,258	--
Foreign currency translation adjustment	(819,586)	(819,586)
Net income	16,332,103	16,332,103
Balance, October 31, 1999	85,102,917	15,512,517
Exercise of stock options	5,913,254	--
Amortization of deferred compensation	33,790	--
Issuance of common stock in connection with LDA and Joytech acquisition	161,140	--
Issuance of common stock and warrants in connection with Pixel acquisition	40,328,752	--
Issuance of common stock in connection with GOD acquisition	10,401,417	--
Issuance of common stock in connection with PopTop acquisition	5,835,606	--
Issuance of common stock in connection with private placements, net of issuance costs	19,689,684	--
Issuance of warrants in connection with a debt financing	2,926,963	--
Proceeds from exercise of warrants	6,460	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	2,529,325	--
Issuance of common stock in connection with the purchase of DVD	1,252,718	--
Tax benefit in connection with the exercise of stock options	1,940,655	--
Foreign currency translation adjustment	(3,248,449)	(3,248,449)
Unrealized loss on available-for-sale securities	(2,409,351)	(2,409,351)
Net income	11,589,839	11,589,839
Balance, July 31, 2000	$ 182,054,720	$ 5,932,039

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.
Notes to Consolidated Condensed Financial Statements
(Information at July 31, 2000 and for the three and nine month periods ended July 31, 2000 and 1999 are unaudited)

1. Organization:

Take-Two Interactive Software, Inc. (the "Company") is a leading global 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 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, they 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, these 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 for such periods. The results of operations for any interim periods are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1999.

Risk and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to: the recoverability of capitalized software development costs, prepaid royalties, advances to developers and other intangibles; allowances for returns and income taxes. Actual amounts could differ from those estimates.

Prepaid Royalties

Prepaid royalties represent prepayments made to independent software developers under development agreements. Prepaid royalties are expensed at the contractual royalty rate as cost of sales based on actual net product sales. Management continuously evaluates the future realization of prepaid royalties, and charges to cost of sales any amount which is deemed unlikely to be realized at the contractual royalty rate through future product sales. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year.

Prepaid royalties were not written down for the three months ended July 31, 2000 and 1999. For the nine months ended July 31, 2000 and 1999, prepaid royalties were written down by $109,942 and $844,112, respectively, to estimated net realizable value. Amortization of prepaid royalties amounted to $6,290,248 and $6,308,905 for the three months ended July 31, 2000 and 1999, respectively, and $11,081,264 and $10,191,276 for the nine months ended July 31, 2000 and 1999, respectively.

Capitalized Software Development Costs (Including Film Production Costs)

Costs associated with research and development are expensed as incurred. Software development costs incurred subsequent to establishing technological feasibility are capitalized. Capitalized software costs are compared, by game title, to estimated net realizable value of the product and amounts in excess of estimated net realizable value, if any, are immediately charged to cost of sales.

No capitalized software costs were written down for the three months ended July 31, 2000 and 1999. For the nine months ended July 31, 2000 and 1999, capitalized software costs were written down by $249,184 and $688,068, respectively, to estimated net realizable value. Amortization of capitalized software costs amounted to $143,479 and $451,783 for the three months ended July 31, 2000 and 1999, respectively, and $472,449 and $681,783 for the nine months ended July 31, 2000 and 1999, respectively.

Segment Reporting

Statement of Financial Accounting Standards ("FAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments in annual financial statements. FAS No. 131 had no impact on the Company's results of operations, financial position or cash flows. The Company's operations fall within one reportable segment as defined by FAS No. 131.

Recently Issued Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 ("SAB 101"). SAB 101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The provisions of this pronouncement are effective for the fourth quarter of the fiscal year ended October 31, 2001. The Company is in the process of determining the impact, if any, it will have on its financial statements.

Revenue Recognition

Distribution revenue is derived from the sale of third-party interactive software games and hardware and is recognized upon the shipment of product to retailers. Distribution revenue amounted to $29,444,878 and $20,946,961 for the three months ended July 31, 2000 and 1999, respectively, and $123,418,395 and $86,362,777 for the nine months ended July 31, 2000 and 1999, respectively. The Company at times negotiates accommodations to retailers, including price discounts, credits and product returns, when demand for specific products fall below expectations. The Company's distribution arrangements with retailers generally do not give them the right to return products, however, the Company generally accepts product returns for stock balancing or defective products. Historically, the Company's write-offs for returns from its distribution activities have been less than 1% of distribution revenues.

Publishing revenue is derived from the sale of internally developed interactive software games or from the sale of product licensed from a third party developer and is recognized upon the shipment of product to retailers. Publishing revenue amounted to $42,027,709 and $42,615,509 for the three months ended July 31, 2000 and 1999, respectively, and $140,979,990 and $97,645,678 for the nine months ended July 31, 2000 and 1999, respectively. The Company's publishing arrangements require the Company to accept product returns. A reserve is established at the time of product sales, based primarily on these return policies, markdown allowances, and historical return rates, and as such, the Company recognizes revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues.

3. Business Acquisitions

In July 2000, the Company acquired all of the issued and outstanding capital stock of PopTop Software, Inc. ("PopTop") for 559,100 shares of the Company's common stock. PopTop is the creator of the best selling Railroad Tycoon II.

The acquisition has been accounted for as a purchase. The 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 Toga Holding, BV ("Toga") and Gathering of Developers, Ltd ("Gathering") occurred on November 1, 1998:

	Nine Months Ended July 31, 2000	Nine Months Ended July 31, 1999
Net Sales	$ 271,690,266	$ 200,200,341
Net Income	$ 12,026,242	$ 1,455,908
Net Income per share (basic)	$ 0.43	$ 0.06
Net Income per share (fully diluted)	$ 0.42	$ 0.06

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisitions of Toga and Gathering been consummated as of November 1, 1998 nor are they necessarily indicative of future operating results.

4. Loan Payable

In July 2000, the Company entered into a subordinated loan agreement with Finova Mezzanine Capital Inc. ("Finova") in the principal amount of $15 million. The loan is payable in full in July 2005, and bears interest at the rate of 12.5% per annum, payable monthly. In connection with the loan, the Company issued to Finova a five year warrant to purchase 451,747 shares of Common Stock exercisable at a price of $11.875 per share. Subject to the outstanding loan balance, the warrant entitles Finova to receive additional shares of Common Stock for three consecutive years commencing July 2003, and contains certain anti-dilution provisions. The Company has recorded the loan net of discount of $2,926,963 to reflect an allocation of the proceeds to the estimated value of the warrant. The discount is being amortized using the "interest method" over the term of the financing.

5. Income Taxes

The provisions for income taxes for the three months ended, as well as for the nine months ended July 31, 2000 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 and tax planning opportunities.

6. Net Income per Share

The following table provides a reconciliation of basic earnings per share to diluted earnings per share for the three and nine months ended July 31, 2000 and 1999.

	Income	Shares	Per Share Amount
Three Months Ended July 31, 2000:			
Basic	$ 3,448,971	29,061,499	$ 0.12
Effect of dilutive securities - Stock options and warrants		817,766	-
Diluted	$ 3,448,971	29,879,265	$ 0.12
Three Months Ended July 31, 1999:			
Basic	$ 2,707,824	22,440,547	$ 0.12
Effect of dilutive securities - Stock options and warrants		851,994	--
Diluted	$ 2,707,824	23,292,541	$ 0.12
Nine months Ended July 31, 2000:			
Basic	$ 11,589,839	25,981,014	$ 0.45
Effect of dilutive securities - Stock options and warrants		1,011,471	(.02)
Diluted	$ 11,589,839	26,992,485	$ 0.43
Nine months Ended July 31, 1999:			
Basic	$ 7,163,832	19,939,990	$ 0.36
Effect of dilutive securities - Stock options and warrants		1,265,210	(.02)
Diluted	$ 7,163,832	21,205,200	$ 0.34

The computations for diluted number of shares excludes unexercised stock options and warrants which are anti-dilutive.

7. Disposition of Assets

In June 2000, the Company sold its 19.9% equity interest in Bungie Software ("Bungie") to Microsoft Corporation for approximately $5 million (or 19.9% of $25,000,000, the total share consideration paid to Bungie shareholders). Separately, the Company sold its publishing and distribution rights to Halo for $4,000,000 and acquired a royalty free license to Bungie's Halo technology for two products. In addition, the Company was granted all of Bungie's right, title and interest to the best-selling Myth franchise and the highly anticipated upcoming PC and PlayStation(R) 2 game, Oni, titles which the Company had previously only held certain distribution rights.

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 material risks and uncertainties, including but not limited to: risks associated with the Company's future growth, prospects and operating results; the ability of the Company to successfully integrate the businesses and personnel of newly acquired entities into its operations; the availability of adequate sources of financing; credit risks; inventory obsolescence; products returns; failure of our products to sell-through by retailers; changes in consumer preferences and demographics; technological change; competitive factors; unfavorable general economic conditions; and other factors described herein and in the Company's Registration Statement on Form S-3 as filed with the Securities And Exchange Commission, any or all of which could have a material adverse affect on the Company's business, financial condition and results of operations. Actual results may vary significantly from such forward-looking statements.

Overview

The Company derives its principal sources of revenues from publishing and distribution activities. Publishing revenues are derived from the sale of internally developed interactive entertainment 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. The Company recognizes revenue from software sales when products are shipped to customers.

The Company's published products are subject to return if not sold to consumers, including 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 recognize revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues. For distribution sales, the Company at times negotiates accommodations to retailers, including price discounts, credits, and product returns when demand for specific products fall below expectations. Historically, the Company's write-offs for returns from its distribution activities have been less than 1% of distribution revenues. If future product returns significantly exceed these reserves, the Company's operating results would be materially adversely affected.

Research and development costs (consisting primarily of salaries and related costs) incurred prior to establishing technological feasibility are expensed in accordance with Statement of Financial Accounting Standards ("FAS") No. 86 "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". In accordance with FAS No. 86, the Company capitalizes software development costs subsequent to establishing technological feasibility (completion of a detailed program design) which is amortized (included in cost of sales) based on the greater of the proportion of current year sales to total estimated sales commencing with the product's release or the straight line method. At July 31, 2000, the Company had $9,796,522 of capitalized software development costs. The Company evaluates the recoverability of capitalized software costs, the amount in excess of estimated net realizable value may have a material adverse effect on the Company's operating results in future periods. See Note 2 to Notes to Consolidated Condensed Financial Statements.

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 July 31,		Nine months Ended July 31,	
	2000	1999	2000	1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	56.1	69.1	63.6	72.6
Selling and marketing	12.7	10.9	13.0	8.9
General and administrative	12.7	10.7	9.7	9.5
Research and development costs	2.3	1.6	1.8	1.2
Depreciation and amortization	5.3	1.1	2.8	.9
One time charge related to abandoned offering	1.5	--	.4	--
Interest expense	2.3	.7	1.7	1.1
Income taxes	2.2	1.8	2.4	1.9
Net income	4.8	4.3	4.4	3.8

Results of Three Months Ended July 31, 2000 and 1999

Net sales increased by $7,910,117 or 12.4%, to $71,472,587 for the three months ended July 31, 2000 from $63,562,470 for the three months ended July 31, 1999. The increase in net sales was primarily attributable to the Company's expanded distribution operations. Distribution revenues increased by $8,497,917 or 40.6%, to $29,444,878 for the three months ended July 31, 2000 from $20,946,961 for the three months ended July 31, 1999. Publishing revenues of $42,027,709 for the three months ended July 31, 2000 (which included licensing revenue of approximately $5.5 million) remained relatively constant compared to the three months ended July 31, 1999.

Cost of sales decreased by $3,830,757 or 8.7%, to $40,100,344 for the three months ended July 31, 2000 from $43,931,101 for the three months ended July 31, 1999. Cost of sales as a percentage of net sales decreased from 69.1% to 56.1%. The Company attributes this decrease primarily to the continued growth in its publishing margins due to higher PC sales and expanding distribution and budget publishing margins. 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 expenses increased by $2,129,612 or 30.8%, to $9,055,486 for the three months ended July 31, 2000 from $6,925,874 for the three months ended July 31, 1999. As a percentage of net sales, selling and marketing expenses increased to 12.7% for the three months ended July 31, 2000 from 10.9% for the three months ended July 31, 1999. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to the acquisition of Gathering of Developers, Ltd, which was previously accounted for under the equity method and increased marketing and promotion efforts undertaken to broaden product distribution.

General and administrative expenses increased by $2,326,361 or 34.3%, to $9,105,921 for the three months ended July 31, 2000 from $6,779,560 for the three months ended July 31, 1999. General and administrative expenses as a percentage of net sales increased to 12.7% for the three months ended July 31, 2000 from 10.7% for the three months ended July 31, 1999. This increase in both absolute dollars and as a percentage of net sales is a result of increased personnel through its acquisitions.

Research and development costs increased by $669,892 or 67.9%, to $1,656,737 for the three months ended July 31, 2000 from $986,845 for the three months ended July 31, 1999. This increase was primarily attributable to the expansion of the Company's product development operations. Research and development costs as a percentage of net sales remained relatively constant.

Depreciation and amortization expense increased by $3,091,441 or 423.4%, to $3,821,587 for the three months ended July 31, 2000 from $730,146 for the three months ended July 31, 1999. The increase was primarily due to the amortization of intangible assets from acquisitions.

The Company incurred a one-time charge of $1,103,170 in the three months ended July 31, 2000 covering professional fees and other expenses related to an abandoned offering to list a subsidiary's stock on EASDAQ.

Interest expense increased by $1,181,793 or 260.4%, to $1,635,618 for the three months ended July 31, 2000 from $453,825 for the three months ended July 31, 1999. The increase resulted from expanded credit facilities, as well as the amortization of fees paid in connection with financing activities.

Income taxes increased by $386,485, or 33.4% to $1,544,753 for the three months ended July 31, 2000 from $1,158,268 for the three months ended July 31, 1999. The increase in absolute dollars resulted primarily from increased pre-tax income. Income tax expense as a percentage of net sales remained constant.

As a result of the foregoing, the Company achieved net income of $3,448,971 for the three months ended July 31, 2000, as compared to net income of $2,707,824 for the three months ended July 31, 1999.

Results of Nine months Ended July 31, 2000 and 1999

Net sales increased by $80,389,930 or 43.7%, to $264,398,385 for the nine months ended July 31, 2000 from $184,008,455 for the nine months ended July 31, 1999. The increase in net sales was primarily attributable to the Company's expanded presence in international markets. International publishing revenues increased by $25,991,128 or 55.4%, to $72,880,996 for the nine months ended July 31, 2000 from $46,889,868 for the nine months ended July 31, 1999. Revenues from distribution activities increased by $37,055,618 or 42.9% to $123,418,395 for the nine months ended July 31, 2000 from $86,362,777 for the nine months ended July 31, 1999.

Cost of sales increased by $34,601,196, or 25.9%, to $168,155,154 for the nine months ended July 31, 2000 from $133,553,958 for the nine months ended July 31, 1999. This increase was primarily a result of the expanded scope of the Company's operations. Cost of sales as a percentage of net sales decreased primarily due to the higher margin publishing activities. 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 expenses increased by $17,827,828, or 108.6%, to $34,243,171 for the nine months ended July 31, 2000 from $16,415,343 for the nine months ended July 31, 1999. Selling and marketing expenses as a percentage of net sales increased to 13.0% for the nine months ended July 31, 2000 from 8.9% for the nine months ended July 31, 1999. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to the acquisition of Gathering of Developers, Ltd, which was previously accounted for under the equity method and increased marketing and promotion efforts undertaken to broaden product distribution and to assist retailers in positioning our products for sale to consumers.

General and administrative expenses increased by $8,308,611, or 47.7%, to $25,725,552 for the nine months ended July 31, 2000 from $17,416,941 for the nine months ended July 31, 1999. The increase in absolute dollars and as a percentage of net sales was primarily attributable to increased cost associated with the Company's expanded operations through its acquisitions.

Research and development costs increased by $2,435,051, or 110.1%, to $4,646,045 for the nine months ended July 31, 2000 from $2,210,994 for the nine months ended July 31, 1999. This increase was primarily attributable to the expansion of the Company's product development operations.

Depreciation and amortization expense increased by $5,654,474 or 324.3%, to $7,398,041 for the nine months ended July 31, 2000 from $1,743,567 for the nine months ended July 31, 1999. The increase was primarily due to the amortization of intangible assets from acquisitions.

The Company incurred a one-time charge of $1,103,170 in the nine months ended July 31, 2000 covering professional fees and other expenses related to an abandoned offering to list a subsidiary's stock on EASDAQ.

Interest expense increased by $2,463,413, or 120.0%, to $4,516,708 for the nine months ended July 31, 2000 from $2,053,295 for the nine months ended July 31, 1999. The increase resulted primarily from increased bank borrowings.

Income taxes increased by $2,696,524, or 75.7% to $6,258,022 for the nine months ended July 31, 2000 from $3,561,498 for the nine months ended July 31, 1999. The increase in absolute dollars resulted primarily from increased pre-tax income. Income tax expense as a percentage of net sales remained constant.

As a result of the foregoing, the Company achieved net income of $11,589,839 for the nine months ended

July 31, 2000, as compared to net income of $7,163,832 for the nine months ended July 31, 1999.

Liquidity and Capital Resources

The Company's primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of its software products. The Company has historically financed its operations primarily through the issuance of debt and equity securities and bank borrowings. At July 31, 2000, the Company had working capital of $61,989,966 as compared to $41,438,968 at October 31, 1999.

Net cash used in operating activities for the nine months ended July 31, 2000 was $29,198,834 compared to net cash used by operating activities of $10,370,202 for the nine months ended July 31, 1999. The increase in net cash used in operating activities was primarily attributable to an increase in prepaid royalties and capitalized software costs. Net cash used in investing activities for the nine months ended July 31, 2000 was $9,631,445 as compared to net cash used in investing activities of $5,864,789 for the nine months ended July 31, 1999. The increase in net cash used in investing was primarily attributable to the Company's acquisition activities. Net cash provided by financing activities for the nine months ended July 31, 2000 was $34,335,234 as compared to net cash provided by financing activities of $16,858,869 for the nine months ended July 31, 1999. The increase in net cash provided by financing activities was primarily attributed to cash received from the loan with Finova, cash received from private placements and the impact of increased exercises of stock options. At July 31, 2000, the Company had cash and cash equivalents of $2,631,068.

In December 1999, the Company's subsidiary, Take-Two Interactive Software Europe Limited entered into a line of credit agreement with Barclays' Bank. The line of credit provides for borrowings of up to approximately British Pounds (pound)17,000,000 (approximately $25,000,000). Advances under the line of credit bear interest at the rate of 1.4% over Barclays' base rate per annum, payable quarterly. Borrowings are collateralized by receivables of the Company's European subsidiaries, and are guaranteed by the Company. The line of credit is repayable upon demand and is subject to review prior to November 29, 2000. The outstanding balance and available credit under the revolving line of credit is $14,186,488 and $1,099,162, respectively, as of July 31, 2000.

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 provides for borrowings of up to $75,000,000. 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 .5% or at LIBOR plus 2.5%. Borrowings under the line of credit are collaterized by all of the Company's assets. The line of credit expires on December 7, 2002. The outstanding balance and available credit under the revolving line of credit is $32,291,878 and $9,920,433, respectively, as of July 31, 2000.

In July 2000, the Company entered into a subordinated loan agreement with Finova in the principal amount of $15 million. The loan is payable in full in July 2005, and bears interest at the rate of 12.5% per annum, payable monthly.

In July 2000, the Company received net proceeds of $11,174,149 from the sale of common stock.

The Company's accounts receivable, less an allowance for doubtful accounts and returns, at July 31, 2000 were $85,173,092. None of the Company's customers are accounted for more than 10% of accounts receivable at July 31, 2000. Most of the Company's receivables are covered by insurance and generally have been collected in the ordinary course of business. The Company's sales are typically made on credit, with terms that vary depending upon the customer and the demand for the particular title being sold. 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 recoverable by insurance, the Company's liquidity and working capital position would be materially adversely affected.

Based on currently proposed operating plans and assumptions, the Company believes that projected revenues from operations and available cash resources will be sufficient to satisfy its contemplated cash requirements for the reasonably foreseeable future. There can be no assurance that projected revenues from operations and available cash resources will be sufficient to fund the Company's operations or future expansion activities or that any additional financing, if required, will be available to the Company on commercially reasonable terms. Failure to obtain any such additional financing could severely limit the Company's ability to continue to expand its operations.

Fluctuations in Operating Results and Seasonality

The Company may experience fluctuations in quarterly operating results as a result of timing in 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 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 shipment.

Sales of the titles are seasonal, with peak shipments typically occurring in the fourth calendar quarter (the Company's fourth and first fiscal quarters) as a result of increased demand for titles during the holiday season.

International Operations

Product 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 the Company's revenues. For the nine months ended July 31, 2000 and 1999, sales of products in international markets accounted for approximately 32.8% and 29.9%, 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. Product sales in France and Germany are made in local currencies.

Year 2000

To address the Year 2000 issue, the Company had developed programs to address the possible exposures related to the impact of computer systems incorrectly recognizing the year 2000 or "00" as 1900. As a result of implementation of its programs, the Company did not experience any significant Year 2000 disruptions during the transition from 1999 to 2000, and since entering 2000 the Company has not experienced any significant Year 2000 disruptions to its business. In addition, the Company is not aware of any significant disruptions impacting its customers or suppliers. The Company intends to continue to monitor its computer system over the next several months.

Costs incurred to achieve Year 2000 readiness, which included modification to existing systems, replacement or non-compliant systems and consulting resources were not material to the Company's total operating expenses.

PART II - OTHER INFORMATION

Item 2. Changes in Securities

During the three months ended July 31, 2000, 70,000 options from the 1997 Stock Option Plan and 731,500 non-plan options were granted at exercise prices ranging from $8.25 to $10.875.

In July 2000, the Company issued to Finova a warrant to purchase 451,747 shares of the Company stock at an exercise price of $11.875 in connection with the loan.

In July 2000, the Company issued 1,415,000 shares of Common Stock to a limited number of institutional investors in consideration of $11,174,149, which was net of $1,345,926 in commissions.

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 6. Exhibits and Reports on Form 8-K

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

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 14, 2000

Ryan A. Brant
Chief Executive Officer

By: /s/ Chip David   Dated: September 14, 2000

Chip David
Chief Financial Officer

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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-31-2000
Jul-31-2000
2,631,068
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(5,461,396)
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