FORM 10-Q

TAKE TWO INTERACTIVE SOFTWARE INC - TTWO

Filed: June 05, 2009 (period: April 30, 2009)

Quarterly report which provides a continuing view of a company's financial position

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended April 30, 2009

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 or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
622 Broadway New York, New York (Address of principal executive offices)	**10012** (Zip Code)

Registrant's Telephone Number, Including Area Code: **(646) 536-2842**

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 1, 2009, there were 80,214,724 shares of the Registrant's Common Stock outstanding.

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(All other items in this report are inapplicable)

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	April 30, 2009	October 31, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 179,616**	$ 280,277
Accounts receivable, net of allowances of $49,213 and $68,448 at April 30, 2009 and October 31, 2008, respectively	**52,117**	157,458
Inventory	**74,020**	104,235
Software development costs and licenses	**149,018**	113,436
Prepaid taxes and taxes receivable	**20,881**	23,763
Prepaid expenses and other	**42,415**	44,605
Total current assets	**518,067**	723,774
Fixed assets, net	**28,860**	32,361
Software development costs and licenses, net of current portion	**45,580**	61,991
Goodwill	**227,733**	230,809
Other intangibles, net	**24,258**	26,123
Other assets	**10,681**	8,294
Total assets	**$ 855,179**	$ 1,083,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 68,786**	$ 156,167
Accrued expenses and other current liabilities	**118,795**	153,089
Deferred revenue	**25,809**	56,163
Total current liabilities	**213,390**	365,419
Line of credit	**70,000**	70,000
Income taxes payable	**16,282**	26,399
Other long-term liabilities	**1,311**	6,416
Total liabilities	**300,983**	468,234
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, $.01 par value, 150,000 shares authorized; 78,667 and 77,694 shares issued and outstanding at April 30, 2009 and October 31, 2008, respectively	**787**	777
Additional paid-in capital	**614,862**	603,579
Retained earnings (accumulated deficit)	**(42,193)**	18,275
Accumulated other comprehensive loss	**(19,260)**	(7,513)
Total stockholders' equity	**554,196**	615,118
Total liabilities and stockholders' equity	**$ 855,179**	$ 1,083,352

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share amounts)

	Three months ended April 30,		Six months ended April 30,	
	2009	2008	2009	2008
Net revenue	**$ 229,722**	$ 539,810	**$ 486,532**	$ 780,252
Cost of goods sold	**161,602**	318,259	**362,504**	504,267
Gross profit	**68,120**	221,551	**124,028**	275,985
Selling and marketing	**31,044**	45,949	**71,818**	79,678
General and administrative	**31,415**	48,317	**71,163**	81,238
Research and development	**14,759**	14,828	**35,702**	30,638
Business reorganization and related	**-**	944	**-**	1,106
Depreciation and amortization	**4,777**	7,516	**9,885**	13,925
Total operating expenses	**81,995**	117,554	**188,568**	206,585
Income (loss) from operations	**(13,875)**	103,997	**(64,540)**	69,400
Interest and other income, net	**(1,467)**	(1,714)	**882**	(347)
Income (loss) before income taxes	**(15,342)**	102,283	**(63,658)**	69,053
Provision (benefit) for income taxes	**(5,262)**	4,061	**(3,190)**	8,828
Net income (loss)	**$ (10,080)**	$ 98,222	**$ (60,468)**	$ 60,225
Earnings (loss) per share:				
Basic	**$ (0.13)**	$ 1.31	**$ (0.79)**	$ 0.81
Diluted	**$ (0.13)**	$ 1.29	**$ (0.79)**	$ 0.80
Weighted average shares outstanding:				
Basic	**76,587**	75,098	**76,341**	74,112
Diluted	**76,587**	75,954	**76,341**	74,894

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Six months ended April 30,	
	2009	**2008**
Operating activities:		
Net income (loss)	**$ (60,468)**	$ 60,225
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Amortization and impairment of software development costs and licenses	**46,800**	64,544
Depreciation and amortization of long-lived assets	**9,885**	13,925
Amortization and impairment of intellectual property	**419**	537
Stock-based compensation	**11,500**	18,500
Deferred income taxes	**(144)**	(117)
Foreign currency transaction gain and other	**(3,513)**	(360)
Changes in assets and liabilities, net of effect from purchases of businesses:		
Accounts receivable	**105,341**	(257,828)
Inventory	**30,215**	7,510
Software development costs and licenses	**(68,514)**	(74,229)
Prepaid expenses, other current and other non-current assets	**2,545**	15,952
Deferred revenue	**(30,354)**	3,313
Accounts payable, accrued expenses, income taxes payable and other liabilities	**(136,456)**	134,304
Total adjustments	**(32,276)**	(73,949)
Net cash used for operating activities	**(92,744)**	(13,724)
Investing activities:		
Purchase of fixed assets	**(5,567)**	(4,998)
Purchases of businesses, net of cash acquired	**(500)**	(4,037)
Net cash used for investing activities	**(6,067)**	(9,035)
Financing activities:		
Proceeds from exercise of options	**4**	20,489
Net payments on line of credit	**-**	(2,000)
Payment of debt issuance costs	-	(957)
Net cash provided by financing activities	**4**	17,532
Effects of exchange rates on cash and cash equivalents	**(1,854)**	388
Net decrease in cash and cash equivalents	**(100,661)**	(4,839)
Cash and cash equivalents, beginning of year	**280,277**	77,757
Cash and cash equivalents, end of period	**$ 179,616**	$ 72,918

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Take-Two Interactive Software, Inc. ("the Company," "we," "us," or similar pronouns) is a leading global publisher, developer and distributor of interactive entertainment software, hardware and accessories. Our publishing segment, which consists of Rockstar Games, 2K Games, 2K Sports and 2K Play, develops, markets and publishes software titles for the following leading gaming and entertainment hardware platforms:

Sony	Microsoft	Nintendo
PLAYSTATION®3	Xbox 360®	Wii™
PlayStation®2		DS™
PSP® (PlayStation®Portable)		

We also develop and publish software titles for the PC. Our distribution segment, which primarily includes our Jack of All Games subsidiary, distributes our products as well as third party software, hardware and accessories to retail outlets primarily in North America.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and reflect all normal and recurring adjustments necessary for fair presentation of our financial position, results of operations and cash flows. Inter-company accounts and transactions have been eliminated. The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. We adhere to the same accounting policies in preparation of interim financial statements. As permitted under generally accepted accounting principles, interim accounting for certain expenses, including income taxes, are based on full year assumptions when appropriate. Actual results could differ materially from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), although we believe that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements and accompanying notes should be read in conjunction with our annual consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the year ended October 31, 2008.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation for comparative purposes.

Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") is computed by dividing the net income (loss) applicable to common stockholders for the period by the weighted average number of shares of common stock outstanding during the same period. Diluted EPS is computed by dividing the net income (loss)

applicable to common stockholders for the period by the weighted average number of shares of common stock and common stock equivalents outstanding, which includes shares of common stock issuable upon the exercise of stock options and restricted stock outstanding during the same period. The following table sets forth a reconciliation between basic and diluted shares, in accordance with SFAS 128, *Earnings Per Share* (in thousands):

	Three months ended April 30,		Six months ended April 30,	
(thousands of shares)	**2009**	**2008**	**2009**	**2008**
Basic shares	**76,587**	75,098	**76,341**	74,112
Dilutive effect of equity incentive plans	-	856	-	782
Diluted shares	**76,587**	75,954	**76,341**	74,894

The computation for diluted number of shares excludes those unexercised stock options and unvested restricted stock which are antidilutive. For the three and six months ended April 30, 2009, the Company incurred a net loss; therefore, diluted EPS excludes common stock equivalents of approximately 5,263,000 and 5,310,000 for the three and six months ended April 30, 2009, respectively. For the three and six months ended April 30, 2008, diluted EPS excludes approximately 3,169,000 and 4,756,000, respectively, of common stock equivalents which are antidilutive. For the three and six months ended April 30, 2009, we issued approximately 49,000 and 1,131,000 shares, respectively, of common stock in connection with employee stock option exercises and restricted stock awards. During the three and six months ended April 30, 2009, we canceled 138,000 and 157,000 shares, respectively, of unvested restricted stock awards.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which provides guidance on how to measure assets and liabilities recorded at fair value. SFAS 157 does not expand the use of fair value to any new circumstances, but does require additional disclosure in annual and quarterly reports. We adopted SFAS 157 and its related amendments for financial assets and liabilities as of November 1, 2008 (see Note 3) and it did not have a material impact on our financial position or results of operations. SFAS 157 is effective for non-financial assets and liabilities for us beginning November 1, 2009. We have evaluated the non-financial assets and liabilities portion of the standard and expect that it will have no significant impact on our financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards, which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure certain financial assets and financial liabilities, on an instrument-by-instrument basis. If the fair value option is elected, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. The Company adopted this Statement as of November 1, 2008 but has not applied the fair value option to any eligible assets or liabilities as such. There was no impact to our financial condition or results of operations from the adoption of this Statement.

In June 2007, the FASB ratified the Emerging Issues Task Force's ("EITF") consensus conclusion on EITF 07-03, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development*. EITF 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under this conclusion, an entity is required to defer and capitalize non-refundable advance payments made for research and development activities until the

related goods are delivered or the related services are performed. EITF 07-03 is effective for interim or annual reporting periods in fiscal years beginning after December 15, 2007 (November 1, 2008 for the Company), and requires prospective application for new contracts entered into after the effective date. The adoption of EITF 07-03 did not have a material effect on our consolidated financial position, cash flows or results of operations.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"). This Statement provides greater consistency in the accounting and financial reporting of business combinations. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. SFAS 141(R) is effective for all fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company) and interim periods within those years, with earlier adoption prohibited. We are evaluating the impact that the adoption of SFAS 141(R) will have on our consolidated financial position, cash flows and results of operations.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP FAS 142-3"). FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*. This guidance for determining the useful life of a recognized intangible asset applies prospectively to intangible assets acquired individually or with a group of other assets in either an asset acquisition or business combination. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008 (November 1, 2009 for the Company), and early adoption is prohibited. We do not expect that the adoption of FSP FAS 142-3 will have a material effect on our consolidated financial position, cash flows or results of operations.

In May 2008, the FASB issued Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement*) (FSP APB 14-1), which specifies that issuers of convertible debt instruments that may be settled in cash upon conversion should separately account for the liability and equity components in a manner that will reflect the Company's non-convertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company). In May 2009, we issued $138,000 of 4.375% convertible senior note due 2014 ("Convertible Notes"). We will adopt FSP APB 14-1 on November 1, 2009 and accordingly will reclassify a portion of our debt balance to additional paid-in-capital, representing a bifurcation based on the fair value of the Convertible Notes' embedded conversion option. The difference between the principal amount of the Convertible Notes' and the remaining liability component after the bifurcation will be reported as a debt discount. We will be required to amortize the debt discount as interest expense on our statement of operations in addition to the Convertible Notes' coupon interest payments. FSP APB 14-1 prohibits early adoption and requires retrospective application to all periods presented. We are in the process of determining the amount of the debt discount and corresponding fair value of the Convertible Notes' embedded conversion option that will be required to be recorded under FSP APB 14-1. See Note 11 to our Financial Statements.

In June 2008, the FASB issued Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP EITF 03-6-1"), which is effective for financial statements issued for fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company). FSP EITF 03-6-1 clarifies that share-based payment awards that entitle holders to receive nonforfeitable dividends before they vest will be considered participating securities and included in the basic earnings per share calculation. We are still evaluating the impact of adopting FSP EITF 03-6-1 on our results of operations.

In October 2008, the FASB issued FASB Staff Position (FSP) FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies how companies should apply the fair value measurement methodologies of SFAS 157 to financial assets whose markets are illiquid or inactive. Under this FSP, companies may use their own assumptions about future cash flows and risk-adjusted discount rates when relevant observable inputs are either unavailable or based solely on transaction prices that reflect forced liquidations or distressed sales. We adopted this FSP as of November 1, 2008. There was no impact to our financial condition or results of operations from the adoption of this FSP.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies* ("FSP FAS 141(R)-1"), which requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, if fair value can be determined during the measurement period. FSP FAS 141(R)-1 specifies that an asset or liability should be recognized at time of acquisition if the amount of the asset or liability can be reasonably estimated and that it is probable that an asset existed or that a liability had been incurred at the acquisition date. FSP FAS 141(R)-1 is effective for all fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company). We are evaluating the impact that the adoption of FSP FAS 141(R)-1 will have on our consolidated financial position, cash flows and results of operations.

2. MANAGEMENT AGREEMENT

In March 2007, we began operating under a management services agreement with ZelnickMedia (the "Management Agreement"), whereby ZelnickMedia provides us with certain management, consulting and executive level services. Strauss Zelnick, the President of ZelnickMedia, serves as our Executive Chairman. In addition, we have entered into employment agreements with Ben Feder and Karl Slatoff to serve as our Chief Executive Officer and Executive Vice President, respectively. Both Mr. Feder and Mr. Slatoff are partners of ZelnickMedia. The Management Agreement expires in October 2012 and provides for an annual management fee of $2,500 ($750 for periods prior to the amendment that was effective as of April 1, 2008) and a maximum bonus of $2,500 per fiscal year ($750 for periods prior to the amendment that was effective as of April 1, 2008) based on the Company achieving certain performance thresholds. In consideration for ZelnickMedia's services under the Management Agreement, we recorded consulting expense (a component of general and administrative expenses) of $687 and $1,071 for the three months ended April 30, 2009 and 2008, respectively, and $1,562 and $1,517 for the six months ended April 30, 2009 and 2008, respectively.

Pursuant to the Management Agreement, in August 2007, we issued stock options to ZelnickMedia to acquire 2,009,075 shares of our common stock at an exercise price of $14.74 per share, which vest over 36 months and expire 10 years from the date of grant. Each month, we remeasure the fair value of the unvested portion of such options and record compensation expense for the difference between total earned compensation at the end of the period, and total earned compensation at the beginning of the period. As a result, changes in the price of our common stock impacts compensation expense or benefit recognized from period to period. We recorded stock-based compensation related to this option grant of $770 and $3,205 for the three months ended April 30, 2009 and 2008, respectively, and $1,971 and $5,264 for the six months ended April 30, 2009 and 2008, respectively.

In addition, on June 13, 2008, pursuant to an amendment to the Management Agreement, we granted 600,000 shares of restricted stock to ZelnickMedia, that vest annually over a three year period, and 900,000 shares of restricted stock that vest over a four year period through 2012, provided that the price of our common stock outperforms 75% of the companies in the NASDAQ Industrial Index. For the three and six months ended April 30, 2009, we recorded a benefit of $72 and expense of $320, respectively, of stock-based compensation related to these grants of restricted stock.

3. FAIR VALUE MEASUREMENTS

As of November 1, 2008, we adopted SFAS 157 for financial assets and liabilities. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The table below segregates all financial assets and liabilities that are measured at fair value on a recurring basis (which, for purposes of SFAS No. 157, means they are so measured at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

	April 30, 2009	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Money market funds	$ 97,114	$ 97,114	$ -	$ -
Treasury bill	4,179	4,179	-	-

4. COMPREHENSIVE INCOME (LOSS)

Components of comprehensive income (loss) are as follows:

	Three months ended April 30,		Six months ended April 30,	
	2009	2008	2009	2008
Net income (loss)	**$ (10,080)**	$ 98,222	**$ (60,468)**	$ 60,225
Foreign currency translation adjustment	**7,503**	5,748	**(11,747)**	(501)
Comprehensive income (loss)	**$ (2,577)**	$ 103,970	**$ (72,215)**	$ 59,724

5. INVENTORY

Inventory balances by category are as follows:

	April 30, 2009	October 31, 2008
Finished products	**$ 66,654**	$ 96,139
Parts and supplies	**7,366**	8,096
Inventory	**$ 74,020**	$ 104,235

Estimated product returns included in inventory at April 30, 2009 and October 31, 2008 are $7,973 and $9,394, respectively.

6. SOFTWARE DEVELOPMENT COSTS AND LICENSES

Details of our software development costs and licenses are as follows:

	April 30, 2009		October 31, 2008	
	Current	Non-current	Current	Non-current
Software development costs, internally developed	**$ 100,205**	**$ 24,768**	$ 72,381	$ 39,508
Software development costs, externally developed	**47,974**	**19,552**	37,422	20,495
Licenses	**839**	**1,260**	3,633	1,988
Software development costs and licenses	**$ 149,018**	**$ 45,580**	$ 113,436	$ 61,991

Software development costs and licenses as of April 30, 2009 and October 31, 2008 include $168,911 and $136,687, respectively, related to titles that have not been released.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	April 30, 2009	October 31, 2008
Software development costs and royalties	**$ 30,814**	$ 39,803
Compensation and benefits	**16,915**	40,293
Income tax payable	**13,087**	13,263
Licenses	**12,740**	13,594
Marketing and promotions	**8,004**	7,430
Professional fees	**7,698**	7,618
Rent and deferred rent obligations	**6,116**	6,732
Deferred Consideration for acquisitions	**5,150**	921
Other	**18,271**	23,435
Total	**$ 118,795**	$ 153,089

8. CREDIT AGREEMENT

In July 2007, we entered into a credit agreement with Wells Fargo (the "Credit Agreement"). The Credit Agreement provides for borrowings of up to $140,000 and is secured by substantially all of our assets and the equity of our subsidiaries. The Credit Agreement expires on July 3, 2012. Revolving loans under the Credit Agreement bear interest at our election of (a) 2.00% to 2.50% above a certain base rate with a minimum 6.00% base rate (8.00% at April 30, 2009), or (b) 3.25% to 3.75% above the LIBOR Rate with a minimum 4.00% LIBOR Rate (7.25% at April 30, 2009), with the margin rate subject to the achievement of certain average liquidity levels. We are also required to pay an annual fee on the unused available balance, ranging from 0.25% to 0.75% based on amounts borrowed.

We had borrowings outstanding of $70,000 at April 30, 2009 and October 31, 2008 and had $26,951 and $28,964 available for borrowings at April 30, 2009 and October 31, 2008, respectively. We had $11,560 of letters of credit outstanding at April 30, 2009 and October 31, 2008 and were in compliance with all covenants and requirements in the Credit Agreement. We recorded $1,408 and $1,083 of interest expense and fees related to the Credit Agreement for the three months ended April 30, 2009 and 2008, respectively. We recorded $3,204 and $1,862 of interest expense and fees related to the Credit Agreement for the six months ended April 30, 2009 and 2008, respectively.

9. LEGAL AND OTHER PROCEEDINGS

Various lawsuits, claims, proceedings and investigations are pending involving us and certain of our subsidiaries as described below in this section. Depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our business, financial condition, results of operations or cash flows. We have appropriately accrued amounts related to certain legal and other proceedings discussed below and in our Form 10-K and 10-Q for the periods ended October 31, 2008 and April 30, 2009, respectively. While there is a possibility that a loss may be incurred in excess of the amounts accrued in our financial statements, we believe that such losses, unless otherwise disclosed, would not be material. In addition to the matters described herein, we are, or may become, involved in routine litigation in the ordinary course of business which we do not believe to be material to our business, financial condition, results of operations or cash flows.

Consumer Class Action and City of Los Angeles Litigation—Grand Theft Auto: San Andreas. In July 2005, we received four complaints for purported class actions, which were consolidated in the United States District Court for the Southern District of New York (the "SDNY Court"). The plaintiffs, alleged purchasers of our *Grand Theft Auto: San Andreas* game, assert that we engaged in consumer deception and false advertising, breached an implied warranty of merchantability and were unjustly enriched as a result of our alleged failure to disclose that *Grand Theft Auto: San Andreas* contained "hidden" content. The complaints seek unspecified damages, declarations of various violations of law and litigation costs. In January 2006, the City Attorney for the City of Los Angeles filed a complaint in the Superior Court of California, alleging violations of California law on substantially the same basis as the consumer class action; we removed the LA City Attorney lawsuit to federal court, and it was consolidated with the consumer class action. In December 2007, the SDNY Court preliminarily approved a settlement of the consumer class action. In July 2008, however, the SDNY Court refused to certify the proposed settlement class on the basis that, under controlling case law issued after the parties negotiated the settlement, the plaintiffs could no longer meet their burden of showing that the case could proceed on the proposed class basis, regardless of whether the purpose of certification was for litigation or settlement. The plaintiffs subsequently applied for, and on April 15, 2009 the U.S. Court of Appeals for the Second Circuit granted, permission to file an interlocutory appeal. The appeal is now pending. We express no opinion as to the likelihood of permission to appeal being granted or the outcome of any such appeal, and, should the consumer class action or the related LA City Attorney action return to an active litigation posture, we will continue to defend those cases vigorously.

Securities Class Action—Grand Theft Auto: San Andreas and Option Backdating. In February and March 2006, four purported class action complaints were filed against us and certain of our then current and former officers and directors in the SDNY Court. The actions were consolidated, and in April 2007 the lead plaintiff filed a consolidated second amended complaint which contained allegations related to purported "hidden content" contained in *Grand Theft Auto: San Andreas* and the backdating of stock options, including the investigation thereof conducted by the Special Litigation Committee of the Board of Directors and the restatement of our financial statements relating thereto. This complaint was filed against us, our former Chief Executive Officer, our former Chief Financial Officer, our former Chairman of the Board, our Rockstar Games subsidiary, and one officer and one former officer of our Rockstar Games subsidiary. The lead plaintiff sought unspecified compensatory damages and costs including attorneys' fees and expenses. In April 2008, the Court dismissed, with leave to amend, all claims as to all defendants relating to *Grand Theft Auto: San Andreas* and certain claims as to our former CEO, CFO and certain director defendants relating to the backdating of stock options. In September 2008, the lead plaintiff filed a third amended consolidated complaint seeking to reinstate these claims which we opposed. The matter is now under submission with the SDNY Court. We express no opinion as to the outcome of the complaint and will continue to defend this case vigorously.

St. Clair Derivative Action. In January 2006, the St. Clair Shores General Employees Retirement System filed a purported class and derivative action complaint in the SDNY Court against us, as nominal defendant, and certain of our directors and certain former officers and directors. Certain of the factual allegations in this action are similar to those in the securities class action described above. The plaintiff asserts that certain defendants breached their fiduciary duty by selling their stock while in possession of certain material non-public information and that we violated Section 14(a) of the Exchange Act and Rule 14a-9 thereunder by failing to disclose material facts in our 2003, 2004 and 2005 proxy statements in which we solicited approval to increase share availability under our 2002 Stock Option Plan. The plaintiff seeks the return of all profits from the alleged insider trading conducted by the individual defendants who sold our stock, unspecified compensatory damages with interest and its costs in the action. In March 2007, the Special Litigation Committee moved to dismiss the complaint based on, among other things, the Committee's conclusion that "future pursuit of this action is not in the best interests of Take-Two or its shareholders." In August 2007, the plaintiff filed an Amended Derivative and Class Action Complaint alleging, among other things, that defendants breached their fiduciary duties in connection with the issuance of proxy statements from 2001 through 2005. In September 2007, the Special Litigation Committee moved to dismiss the Amended Complaint or to consolidate certain of its claims with the securities class action. In July 2008, the Court dismissed all claims against us and all claims against all defendants that arose out of the plaintiff's derivative claims. The Court expressly did not determine whether the remaining claims, which are related to the proxy statements, would entitle the putative class to monetary damages.

Derivative Action—Option Backdating. In July and August 2006, shareholders Richard Lasky and Raeda Karadsheh filed purported derivative actions in the SDNY Court against us, as nominal defendant, and certain of our directors and certain former officers and directors. These actions were consolidated in November 2006 and the plaintiffs filed a consolidated complaint in January 2007, which focused exclusively on our historical stock option granting practices, alleging violations of federal and state law, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment. The complaints sought unspecified damages against all of the individual defendants, reimbursement from certain of the defendants of bonuses or other incentive or equity-based compensation paid to them, equitable and other relief relating to the proceeds from certain of the defendants' alleged improper trading activity in our stock, adoption of certain corporate governance proposals and recovery of litigation costs. These matters were referred to the Special Litigation Committee, which moved to dismiss certain parties from the litigation and to have any claims against the remaining parties be assigned to us for disposition by our management and Board of Directors. On April 21, 2009, the Court granted the Special Litigation Committee's motion in it entirety, dismissing all claims against all named defendants except Ryan A. Brant, James David, Larry Muller, and Kelly G. Sumner, and assigning those remaining claims to the Company as the sole party plaintiff.

Strickland et al. Personal Injury Action. In February 2005, the personal representatives of the Estates of Arnold Strickland, James Crump and Ace Mealer brought an action in the Circuit Court of Fayette County, Alabama against us, Sony Computer Entertainment America Inc., Sony Corporation of America, Wal-Mart, GameStop and Devin Moore, alleging under Alabama's manufacturers' liability and wrongful death statutes, that our video games resulted in "copycat violence" that caused the deaths of Messrs. Strickland, Crump and Mealer by Mr. Moore. The suit seeks damages (including punitive damages) against all of the defendants in excess of $600,000. In April 2006, the plaintiffs amended the complaint to add a claim for civil conspiracy. Our motion to dismiss that claim is pending, but there currently is no scheduling order in effect. At our request, the Court held an evidentiary hearing on October 30, 2008 to consider the exclusion of certain expert testimony and a second hearing was held on December 18, 2008. We believe that the claims are without merit and that this action is similar to lawsuits brought and uniformly dismissed by courts in other jurisdictions.

Stockholder Actions. In March 2008, Patrick Solomon, a stockholder, filed a purported class action complaint in the Court of Chancery of the State of Delaware against us and certain of our officers and directors. The plaintiff contends that the defendants breached their fiduciary duties by, among other things, allegedly refusing to explore premium offers by Electronic Arts Inc. to acquire all of the Company's outstanding shares of common stock, enacting a bylaw amendment allegedly designed to entrench the current board by preventing stockholders from nominating and electing alternative directors, agreeing to an amendment to a management agreement with ZelnickMedia and issuing a proxy statement for the 2008 annual meeting of stockholders that allegedly contained misleading and incomplete information. The complaint seeks preliminary and permanent injunctive relief, rescissory and other equitable relief and damages. After certain voluntary actions were taken by the Company, the plaintiff agreed to withdraw his motion for preliminary injunctive relief, and the annual meeting went forward without difficulty (and without any stockholders nominating directors or proposing business). On December 19, 2008, the plaintiff filed a supplement to his complaint. The supplement repeats his prior allegations and also alleges the stockholder vote on the amendment of the Company's Incentive Stock Plan and the amendment to the management agreement with ZelnickMedia and the grant of stock thereunder was invalid. On February 17, 2009, the Company filed its motion to dismiss all claims in both pleadings. On March 4, 2009, the plaintiff filed a motion to file a second supplement to his complaint. The second supplement contains additional allegations of breaches of fiduciary duties by the directors, and misleading and incomplete disclosure with respect to the proxy statement for the 2009 annual meeting of stockholders. The second supplement also sought to enjoin the vote on the 2009 Stock Incentive Plan at the 2009 annual meeting of stockholders and a declaration that such Plan is invalid and void. On April 3, 2009, the Company entered into a settlement in principle of the plaintiff's complaint and both supplements, subject to approval by the Delaware Court. The settlement provides, among other things, for additional disclosure which is contained in a supplement to the Company's proxy statement. The settlement does not provide for a payment of monetary damages to the plaintiff or the purported class. The Company has opposed an application by the plaintiff's counsel for fees and expenses and expects that any award of fees or expenses will be covered by the Company's existing insurance policies. The Company believes that the plaintiff's complaint and the two supplements are wholly without merit, but entered into the settlement arrangement solely to save the time and expense of continued litigation.

In April 2008, St. Clair Shores General Employees Retirement System, a stockholder, filed a purported derivative action on behalf of the Company in the Court of Chancery of the State of Delaware against our directors and ZelnickMedia. The allegations are essentially the same as those in the original Solomon complaint, above, with an additional complaint about the "poison pill" adopted by our board in March 2008, and an additional claim against ZelnickMedia for aiding and abetting the directors' alleged breach of fiduciary duty. Because the action was duplicative, the plaintiff agreed to stay all proceedings in the case in favor of the Solomon case. We believe the claims lack merit, and intend to defend vigorously against them. Also in April 2008, Michael Maulano, an alleged stockholder, filed a purported class action in New York Supreme Court, New York County, against us and our directors.

We intend to vigorously defend all of the above matters and, with respect to the derivative actions, we have been advised that the individual defendants will vigorously defend such actions.

10. SEGMENT AND GEOGRAPHIC INFORMATION

We are a publisher and distributor of interactive entertainment software games designed for personal computers, video game consoles and handheld platforms. Revenue earned by our publishing segment is primarily derived from the sale of internally developed software titles and software titles developed on our behalf by third parties. Revenue earned by our distribution segment is derived from the sale of third party software titles, accessories and hardware.

Our Chief Executive Officer is our chief operating decision maker ("CODM"). We are centrally managed and the CODM primarily uses consolidated financial information supplemented by sales information by product category, major product title and platform for making operational decisions and assessing financial performance.

Our CODM is presented with financial information that contains information that separately identifies our publishing and distribution operations, including gross margin information. Accordingly, we consider our publishing and distribution businesses to be distinct reportable segments.

Our operating segments do not record inter-segment revenue and therefore none has been reported. We do not allocate operating expenses, interest and other income, interest expense or income taxes to operating segments. Our accounting policies for segment reporting are the same as for the Company as a whole.

Information about our reportable segments is as follows:

	Three months ended April 30,		Six months ended April 30,	
Net revenue:	**2009**	**2008**	**2009**	**2008**
Publishing	**$ 174,197**	$ 483,525	**$ 323,383**	$ 605,945
Distribution	**55,525**	56,285	**163,149**	174,307
Total net revenue	**$ 229,722**	$ 539,810	**$ 486,532**	$ 780,252

	Three months ended April 30,		Six months ended April 30,	
Gross profit:	**2009**	**2008**	**2009**	**2008**
Publishing	**$ 64,320**	$ 217,246	**$ 110,923**	$ 259,419
Distribution	**3,800**	4,305	**13,105**	16,566
Total gross profit	**$ 68,120**	$ 221,551	**$ 124,028**	$ 275,985

	April 30, 2009			October 31, 2008		
	Publishing	**Distribution**	**Total**	**Publishing**	**Distribution**	**Total**
Accounts receivable, net	**$ 42,676**	**$ 9,441**	**$ 52,117**	$ 115,921	$ 41,537	$ 157,458
Inventory	**24,701**	**49,319**	**74,020**	38,446	65,789	104,235
Total assets	**752,994**	**102,185**	**855,179**	933,802	149,550	1,083,352

We attribute net revenue to geographic regions based on product destination. Net revenue by geographic region is as follows:

	Three months ended April 30,		Six months ended April 30,	
Net revenue by geographic region:	**2009**	**2008**	**2009**	**2008**
United States	**$ 163,919**	$ 318,449	**$ 344,829**	$ 507,675
Canada	**11,001**	32,832	**23,964**	46,414
North America	**174,920**	351,281	**368,793**	554,089
Continental Europe	**32,805**	99,246	**71,178**	120,664
United Kingdom	**13,896**	64,109	**28,879**	71,517
Asia Pacific and other	**8,101**	25,174	**17,682**	33,982
Total net revenue	**$ 229,722**	$ 539,810	**$ 486,532**	$ 780,252

Net revenue by product platform for our reportable segments is as follows:

Net revenue by product platform:	Three months ended April 30, 2009	Three months ended April 30, 2008	Six months ended April 30, 2009	Six months ended April 30, 2008
Publishing:				
Microsoft Xbox 360	**$ 77,815**	$ 223,486	**$ 105,024**	$ 249,186
Nintendo Wii	**18,757**	31,257	**47,465**	54,566
PC	**10,348**	9,636	**45,868**	22,059
Sony PLAYSTATION 3	**19,609**	175,323	**42,712**	185,501
Nintendo DS	**23,733**	2,363	**31,275**	5,055
Sony PlayStation 2	**13,016**	27,312	**27,058**	58,026
Sony PSP	**10,550**	13,382	**22,839**	28,872
Other	**369**	766	**1,142**	2,680
Total publishing	**174,197**	483,525	**323,383**	605,945
Distribution:				
Hardware and peripherals	**20,077**	21,526	**60,677**	74,693
Software:				
Nintendo Wii	**9,044**	4,932	**29,986**	15,932
PC	**11,963**	14,479	**25,043**	26,846
Nintendo DS	**5,574**	4,185	**18,368**	15,548
Microsoft Xbox 360	**4,026**	2,442	**12,344**	8,875
Sony PlayStation 2	**2,445**	3,665	**8,053**	14,438
Sony PLAYSTATION 3	**1,590**	1,221	**5,273**	4,601
Sony PSP	**533**	1,608	**1,864**	3,037
Other	**273**	2,227	**1,541**	10,337
Total distribution	**55,525**	56,285	**163,149**	174,307
Total net revenue	**$ 229,722**	$ 539,810	**$ 486,532**	$ 780,252

11. SUBSEQUENT EVENTS

In May 2009, we issued $138,000 of 4.375% convertible senior notes due 2014 ("Convertible Notes"). The Convertible Notes will pay interest semi-annually at a rate of 4.375% per annum and mature on June 1, 2014. The Convertible Notes are convertible under certain circumstances and during certain periods at an initial conversion rate of 93.6768 shares of our common stock per $1 principal amount of notes (representing an initial conversion price of approximately $10.675 per share of common stock or a conversion premium of 25%, for a total of approximately 12,927,000 underlying conversion shares) subject to adjustment in certain circumstances. Prior to December 1, 2013, the Convertible Notes will be convertible only upon specified events and, thereafter, at any time. Upon conversion, the Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock. We may redeem some or all of the Convertible Notes for cash under certain circumstances on or after June 5, 2012.

In connection with the offering of the notes, we entered into convertible note hedge transactions, which are expected to reduce the potential dilution to our common stock upon conversion of the notes. The transactions include options to purchase approximately 12,927,000 shares of common stock at $10.675 per share, expiring on June 1, 2014, for a total cost of approximately $43,600, and the sale of warrants to purchase approximately 12,927,000 shares of common stock at $14.945 per share expiring August 30, 2014, for total proceeds of approximately $26,300. The cost of the options and the proceeds from the issuance of the warrants will be applied to additional paid-in capital.

On May 28, 2009, we paid down all the outstanding borrowings on our Credit Agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

The statements contained herein which are not historical facts are considered forward-looking statements under federal securities laws and may be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "potential," "predicts," "projects," "seeks," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for the Company's future business and financial performance. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may vary materially from these forward-looking statements based on a variety of risks and uncertainties including those contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008, in the section entitled "Risk Factors," and the Company's other periodic filings with the SEC. All forward- looking statements are qualified by these cautionary statements and apply only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying condensed consolidated financial statements and footnotes to assist readers in understanding our results of operations, financial condition and cash flows. The following discussion should be read in conjunction with the MD&A included in our annual consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the year ended October 31, 2008.

Overview

Our Business

We are a global publisher, developer and distributor of interactive entertainment software, hardware and accessories. Our publishing segment consists of our Rockstar Games, 2K Games, 2K Sports and 2K Play publishing labels. We develop, market and publish software titles for the leading gaming and entertainment hardware platforms including: Sony's PLAYSTATION®3 ("PS3") and PlayStation®2 ("PS2") computer entertainment systems; Sony's PSP® (PlayStation®Portable) ("PSP") system; Microsoft's Xbox 360® ("Xbox 360") video game and entertainment system; Nintendo's Wii™ ("Wii") and DS™ ("DS") systems; and for the PC and Games for Windows®. The installed base for the prior generation of platforms, including PS2 and DS ("prior generation platforms") is substantial. The release of the PS3, Xbox 360, and Wii platforms ("current generation platforms") has further expanded the video game software market. We are continuing to increase the number of titles released on the current generation platforms while also developing titles for certain prior generation platforms such as PS2 and DS given their significant installed base, as long as it is economically attractive to do so. Our distribution segment, which primarily consists of our Jack of All Games subsidiary, distributes our products as well as software, hardware and accessories produced by others to retail outlets in North America.

We endeavor to be the most creative, innovative and efficient company in our industry. Our strategy is to capitalize on the growth of the interactive entertainment market, particularly the expanding demographics of video game players, and focus on creating premium quality games and successful franchises for which we can create sequels. We develop most of our frontline products internally and own the intellectual property associated with most of our titles, which we believe best positions us financially and competitively. We have established a portfolio of proprietary software content for the major hardware platforms in a wide range of genres including action, adventure, racing, role-playing, sports and strategy. We believe that our commitment to creativity and innovation is a distinguishing

strength, allowing us to differentiate many of our products in the marketplace by combining advanced technology with compelling story lines and characters that provide unique gameplay experiences for consumers. We have created, acquired or licensed a group of highly recognizable brands to match the variety of consumer demographics we aspire to serve, ranging from adults to children and game enthusiasts to casual gamers.

Revenue in our publishing segment is primarily derived from the sale of internally developed software titles and software titles developed on our behalf by third parties. Operating margins in our publishing business are dependent in part upon our ability to continually release new, commercially successful products and to manage software product development costs. We have internal development studios located in the United States, Canada, the United Kingdom, Czech Republic, Australia and China.

We expect Rockstar Games, our wholly-owned publisher of the hit *Grand Theft Auto* and *Midnight Club* franchises, to continue to be a leader in the action product category by leveraging our existing franchises as well as developing new brands. Rockstar continues to expand on these franchises by releasing sequels as well as offering downloadable episodes and content. Rockstar is also well known for developing brands in other genres, including the *Bully*, *Manhunt*, *Max Payne* and *Red Dead Revolver* franchises. 2K Games has published a variety of popular entertainment properties across multiple genres and platforms and we expect 2K Games to continue to develop new and successful franchises in the future. 2K Games' internally owned and developed franchises include the critically acclaimed, multi-million unit selling *BioShock*, *Mafia*, and *Sid Meier's Civilization* series. 2K Games has recently partnered with Digital Extremes to develop a new multiplayer experience for *BioShock® 2* in order to develop a new and substantial element that enhances the lore and fiction of the BioShock universe. 2K Games has externally developed titles that have included *The Darkness™* and *The Elder Scrolls IV®: Oblivion™*. Our 2K Sports series, which includes *Major League Baseball 2K*, *NBA 2K* and *NHL 2K,* provides more consistent annual revenue streams than our Rockstar Games and 2K Games' businesses because we publish them on an annual basis. We develop most of our 2K Sports software titles through our internal development studios including the *Major League Baseball 2K* series, *NBA 2K* series, *NHL 2K* series, our *Top Spin* tennis series, and our *Don King* boxing title. Since its formation, our 2K Sports label has secured major sports league licenses including long-term, third party exclusive licensing relationships with Major League Baseball Properties, the Major League Baseball Players Association and Major League Baseball Advanced Media. Our 2K Play label focuses on developing and publishing titles for the growing market of casual and family-friendly games. 2K Play titles are developed by third party developers and internal development studios. Internally developed titles include *Carnival Games* and the *Deal or No Deal* series. 2K Play has also recently announced two new casual and family friendly games, *Birthday Party Bash* and *Ringling Bros. and Barnum & Bailey® Circus*, to be released later this year. 2K Play also has a partnership with Nickelodeon to publish video games based on its top rated Nick Jr. titles such as *Dora the Explorer* and *Go, Diego, Go!* We expect family-oriented gaming to be an important component of our industry in the future. Furthermore, we have expansion initiatives in the rapidly growing Asia Pacific markets, where our strategy is to broaden the distribution of our existing products, develop a presence in Japan, and establish an online gaming presence, especially in China and Korea.

Our distribution segment, which is primarily comprised of our Jack of All Games subsidiary, distributes our products as well as third party software, hardware and accessories to retail outlets primarily in North America. Revenue in our distribution segment is derived from the sale of third party software titles, accessories and hardware in North America. Operating margins in our distribution business depend in large part on the mix of software and hardware sales, with software sales generally yielding higher margins than hardware. We have focused on improving margins in our distribution business. In September 2008, we sold certain assets of our distribution segment pertaining to the warehouse management, processing and value-added service operations of our distribution facility to Ditan Distribution LLC ("Ditan"), a logistics management solutions provider. In addition, we agreed to

outsource the pick, pack, ship and warehousing functions for our publishing and distribution businesses to Ditan. This has allowed Jack of All Games to better focus on purchasing, sales and service for their customers. We also adopted a plan to reduce the number of stock keeping units ("SKU's") on hand in our warehouse in order to focus on higher margin titles and improve the operating efficiency of the segment.

Trends and Factors Impacting our Business

Product Release Schedule. Our financial results are impacted by the timing of our product releases and the commercial success of those titles. Our *Grand Theft Auto* products in particular have historically accounted for a substantial portion of our revenue. The timing of our *Grand Theft Auto* releases varies significantly, which in turn impacts our financial performance on a quarterly and annual basis.

Economic Environment and Retailer Performance. Our business is dependent upon a limited number of customers who account for a significant portion of our revenue. The unfavorable economic environment has impacted several of our customers, and is expected to continue to do so during fiscal 2009. Bankruptcies or consolidations of our large retail customers could seriously hurt our business, due to uncollectible accounts receivables and the concentration of purchasing power among the remaining large retailers. Our business is also negatively impacted by the actions of certain of our large customers, who sell used copies of our games, which reduces demand for new copies of our games. We have begun to offer downloadable episodes for certain of our titles, which requires the user to have a copy of the original game. While this may serve to reduce some used game sales, we expect sales of used games to continue to increase.

Hardware Platforms. The majority of our products are made for the hardware platforms developed by three companies—Sony, Microsoft and Nintendo. The success of our business is dependent upon the consumer acceptance of these platforms and the continued growth in the installed base of these platforms. When new hardware platforms are introduced, demand for software based on older platforms declines, which may negatively impact our business. Additionally, our development costs are generally higher for titles based on new platforms, and we have limited ability to predict the consumer acceptance of the new platforms, which may impact our sales and profitability. As a result, we believe it is important to focus our development efforts on a select number of titles, which is consistent with our strategy.

International Operations. Sales in international markets, primarily in Europe, have accounted for a significant portion of our revenue. We have also recently expanded our Asian operations in an effort to increase our geographical scope and diversify our revenue base. We are subject to risks associated with foreign trade, including credit risks and consumer acceptance of our products, and our financial results may be impacted by fluctuations in foreign currency exchange rates.

Second Quarter 2009 Releases

We released the following key titles in the second quarter of fiscal year 2009:

Title	Publishing Label	Internal or External Development	Platform(s)	Date Released
Grand Theft Auto IV: The Lost and Damned	Rockstar Games	Internal	Xbox LIVE® (downloadable episode)	February 17, 2009
Major League Baseball® 2K9	2K Sports	Internal	Multiple platforms	March 3, 2009
MLB® 2K9 Fantasy All-Stars	2K Sports	External	DS	March 3, 2009
Grand Theft Auto: Chinatown Wars	Rockstar Games	Internal	DS	March 17, 2009
Midnight Club: Los Angeles—South Central	Rockstar Games	Internal	PlayStation®Network, Xbox LIVE® (downloadable content)	March 19, 2009
Don King Boxing	2K Sports	Internal	Wii, DS	March 31, 2009

Product Pipeline

We have announced expected release dates for the following key titles (this list does not represent all titles currently in development):

Title	Publishing Label	Internal or External Development	Platform(s)	Expected/Actual Release
Sid Meier's Civilization IV®: The Complete Edition	2K Games	External	Games for Windows®	May 12, 2009
Birthday Party Bash	2K Play	External	Wii™	July 14, 2009
The BIGS™ 2	2K Sports	External	Multiple platforms	Q3 2009
Beaterator	Rockstar Games	Internal	TBA	Q4 2009
BioShock® 2	2K Games	Internal	TBA	Q4 2009
Borderlands™	2K Games	External	PS3, Xbox 360, Games for Windows®	Q4 2009
Grand Theft Auto: Episodes from Liberty City	Rockstar Games	Internal	Xbox 360	Q4 2009
Grand Theft Auto: The Ballad of Gay Tony	Rockstar Games	Internal	Xbox LIVE® (downloadable episode)	Q4 2009
NBA® 2K10	2K Sports	Internal	Multiple platforms	Q4 2009
NHL® 2K10	2K Sports	Internal	Multiple platforms	Q4 2009
Ringling Bros. and Barnum & Bailey® Circus	2K Play	Internal	Wii™, Nintendo DS™	Q4 2009
Mafia II	2K Games	Internal	PS3, Xbox 360, Games for Windows®	Fiscal year 2010
Max Payne 3	Rockstar Games	Internal	PS3, Xbox 360, Games for Windows®	Fiscal year 2010
Red Dead Redemption	Rockstar Games	Internal	PS3, Xbox 360	Fiscal year 2010

Critical Accounting Policies and Estimates

Our most critical accounting policies, which are those that require significant judgment, include: revenue recognition; allowances for returns, price concessions and other allowances; capitalization and recognition of software development costs and licenses; valuation of goodwill and long-lived assets; valuation and recognition of stock-based compensation; and income taxes. In-depth descriptions of these can be found in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which provides guidance on how to measure assets and liabilities recorded at fair value. SFAS 157 does not expand the use of fair value to any new circumstances, but does require additional disclosure in annual and quarterly reports. We adopted SFAS 157 and its related amendments for financial assets and liabilities as of November 1, 2008 (See Note 3 to the Condensed Consolidated Financial Statements) and it did not have a material impact on our financial position or results of operations. SFAS 157 is effective for non-financial assets and liabilities for us beginning November 1, 2009. We have evaluated the non-financial assets and liabilities portion of the standard and expect that it will have no significant impact on our financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards, which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure certain financial assets and financial liabilities, on an instrument-by-instrument basis. If the fair value option is elected, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. The Company adopted this Statement as of November 1, 2008 but has not applied the fair value option to any eligible assets or liabilities as such. There was no impact to our financial condition or results of operations from the adoption of this Statement.

In June 2007, the FASB ratified the Emerging Issues Task Force's ("EITF") consensus conclusion on EITF 07-03, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development*. EITF 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under this conclusion, an entity is required to defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. EITF 07-03 is effective for interim or annual reporting periods in fiscal years beginning after December 15, 2007 (November 1, 2008 for the Company), and requires prospective application for new contracts entered into after the effective date. The adoption of EITF 07-03 did not have a material effect on our consolidated financial position, cash flows or results of operations.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"). This Statement provides greater consistency in the accounting and financial reporting of business combinations. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. SFAS 141(R) is effective for all fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company) and interim periods within those years, with earlier adoption prohibited. We are evaluating the impact that the adoption of SFAS 141(R) will have on our consolidated financial position, cash flows and results of operations.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP FAS 142-3"). FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*. This guidance for determining the useful life of a recognized intangible asset applies prospectively to intangible assets acquired individually or with a group of other assets in either an asset acquisition or business combination. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008 (November 1, 2009 for the Company), and early adoption is prohibited. We do not expect that the adoption of FSP FAS 142-3 will have a material effect on our consolidated financial position, cash flows or results of operations.

In May 2008, the FASB issued Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement*) (FSP APB 14-1), which specifies that issuers of convertible debt instruments that may be settled in cash upon conversion should separately account for the liability and equity components in a manner that will reflect the Company's non-convertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company). In May 2009, we issued $138.0 million of 4.375% convertible senior note due 2014 ("Convertible Notes"). We will adopt FSP APB 14-1 on November 1, 2009 and accordingly will reclassify a portion of our debt balance to additional paid-in-capital, representing a bifurcation based on the fair value of the Convertible Notes' embedded conversion option. The difference between the principal amount of the Convertible Notes' and the remaining liability component after the bifurcation will be reported as a debt discount. We will be required to amortize the debt discount as interest expense on our statement of operations in addition to the Convertible Notes' coupon interest payments. FSP APB 14-1 prohibits early adoption and requires retrospective application to all periods presented. We are in the process of determining the amount of the debt discount and corresponding fair value of the Convertible Notes' embedded conversion option that will be required to be recorded under FSP APB 14-1. See Note 11 to our Financial Statements.

In June 2008, the FASB issued Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP EITF 03-6-1"), which is effective for

financial statements issued for fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company). FSP EITF 03-6-1 clarifies that share-based payment awards that entitle holders to receive nonforfeitable dividends before they vest will be considered participating securities and included in the basic earnings per share calculation. We are still evaluating the impact of adopting FSP EITF 03-6-1 on our results of operations.

In October 2008, the FASB issued FASB Staff Position (FSP) FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies how companies should apply the fair value measurement methodologies of SFAS 157 to financial assets whose markets are illiquid or inactive. Under this FSP, companies may use their own assumptions about future cash flows and risk-adjusted discount rates when relevant observable inputs are either unavailable or based solely on transaction prices that reflect forced liquidations or distressed sales. We adopted this FSP as of November 1, 2008. There was no impact to our financial condition or results of operations from the adoption of this FSP.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies* ("FSP FAS 141(R)-1"), requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, if fair value can be determined during the measurement period. FSP FAS 141(R)-1 specifies that an asset or liability should be recognized at time of acquisition if the amount of the asset or liability can be reasonably estimated and that it is probable that an asset existed or that a liability had been incurred at the acquisition date. FSP FAS 141(R)-1 is effective for all fiscal years beginning after December 15, 2008 (November 1, 2009 for the Company). We are evaluating the impact that the adoption of FSP FAS 141(R)-1 will have on our consolidated financial position, cash flows and results of operations.

Results of Operations

Consolidated operating results, net revenue by geographic region and publishing revenue by platform as a percent of revenue are as follows:

	Three months ended April 30,		Six months ended April 30,	
	2009	2008	2009	2008
Net revenue:				
Publishing	**75.8%**	89.6%	**66.5%**	77.7%
Distribution	**24.2%**	10.4%	**33.5%**	22.3%
Net revenue	**100.0%**	100.0%	**100.0%**	100.0%
Cost of goods sold	**70.3%**	59.0%	**74.5%**	64.6%
Gross profit	**29.7%**	41.0%	**25.5%**	35.4%
Selling and marketing	**13.5%**	8.5%	**14.8%**	10.2%
General and administrative	**13.7%**	9.0%	**14.6%**	10.4%
Research and development	**6.4%**	2.7%	**7.3%**	3.9%
Business reorganization and related	**0.0%**	0.2%	**0.0%**	0.1%
Depreciation and amortization	**2.1%**	1.4%	**2.0%**	1.8%
Total operating expenses	**35.7%**	21.8%	**38.8%**	26.5%
Income (loss) from operations	**(6.0)%**	19.3%	**(13.3)%**	8.9%
Interest and other income, net	**(0.7)%**	(0.3)%	**0.2%**	(0.0)%
Income (loss) before income taxes	**(6.7)%**	18.9%	**(13.1)%**	8.9%
Provision (benefit) for income taxes	**(2.3)%**	0.8%	**(0.7)%**	1.1%
Net income (loss)	**(4.4)%**	18.2%	**(12.4)%**	7.7%
Net revenue by geographic region:				
United States and Canada	**76.1%**	65.1%	**75.8%**	71.0%
Europe, Asia Pacific and Other	**23.9%**	34.9%	**24.2%**	29.0%
Publishing revenue by platform:				
Console	**74.2%**	94.7%	**68.7%**	90.6%
Handheld	**19.7%**	3.3%	**16.7%**	5.7%
PC	**5.9%**	2.0%	**14.2%**	3.6%
Accessories	**0.2%**	0.0%	**0.4%**	0.1%

Three Months ended April 30, 2009 compared to April 30, 2008

Publishing

(thousands of dollars)	2009	%	2008	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$ 174,197**	**100.0%**	$ 483,525	100.0%	$ (309,328)	(64.0)%
Product costs	**57,270**	**32.9%**	133,063	27.5%	(75,793)	(57.0)%
Software development costs and royalties[(1)]	**28,012**	**16.1%**	57,688	11.9%	(29,676)	(51.4)%
Internal royalties	**9,659**	**5.5%**	52,653	10.9%	(42,994)	(81.7)%
Licenses	**14,936**	**8.6%**	22,875	4.7%	(7,939)	(34.7)%
Cost of goods sold	**109,877**	**63.1%**	266,279	55.1%	(156,402)	(58.7)%
Gross profit	**$ 64,320**	**36.9%**	$ 217,246	44.9%	$ (152,926)	(70.4)%

(1) Includes $1,876 and $6,448 of stock-based compensation expense in 2009 and 2008, respectively.

Net revenue decreased $309.3 million for the three months ended April 30, 2009 as compared to the same period in 2008, primarily due to the release of *Grand Theft Auto IV* for the PS3 and Xbox 360 in April 2008, which surpassed all-time sales records for the launch of an entertainment property. Sales of our *Grand Theft Auto* franchise decreased $288.1 million for the three months ended April 30, 2009 as compared to the same period in 2008. Sales of *Grand Theft Auto IV* decreased significantly and was partially offset by the second quarter 2009 releases of *Grand Theft Auto IV: The Lost and Damned* downloadable episode and *Grand Theft Auto: Chinatown Wars* for the Nintendo DS. In addition, net revenue from our *Bully* franchise, including the release of *Bully: Scholarship Edition* in the second quarter of 2008, decreased $22.0 million for the three months ended April 30, 2009 as compared to the same period in 2008.

Net revenue on current generation platforms accounted for approximately 66.7% of our total net publishing revenue in the second quarter of 2009 compared to 88.9% for the same period in 2008. The decrease is primarily due to the release of *Grand Theft Auto IV* in April 2008 for the PS3 and Xbox 360. Nintendo DS sales increased $21.4 million (904.2%) due primarily to the March 2009 release of *Grand Theft Auto: Chinatown Wars*. Sales on the prior generation platforms continued to decline primarily due to a decrease of $14.3 million (52.4%) on PS2, related to decreased sales of prior versions of *Grand Theft Auto* and various sports titles. We expect volume on prior generation platforms to continue to decline as a result of the continuing hardware transition to the current generation hardware platforms and have therefore reduced the number of titles in development for these older platforms. We have also continued to reduce pricing on software titles for the PS2 as the current generation hardware installed base grows.

Gross profit as a percentage of net revenue decreased from the same period of the prior year primarily due to the release of *Grand Theft Auto IV* during the second quarter of 2008. Product costs increased as a percentage of net revenue for the three months ended April 30, 2009, primarily due to the manufacturing discounts we received related to the release of *Grand Theft Auto IV* in the second quarter of 2008. Additionally, capitalized software amortization increased as a percentage of net revenue in 2009 as the capitalized software amortization related to *Grand Theft Auto IV* in 2008 was lower as a percentage of net revenue due to its longer product life cycle and lower total development cost as compared to revenue generated. Excluding the impact from sales of our *Grand Theft Auto* franchise, license costs decreased as a percentage of net revenue related to our *Major League Baseball* license which was impacted by the timing of releases and a greater number of baseball titles in our 2009 release schedule.

Publishing revenue earned outside of North America accounted for approximately $54.7 million (31.4%) in the second quarter of 2009 compared to $188.2 million (38.9%) in the 2008 period. The year-over-year decrease was primarily attributable to the global release of *Grand Theft Auto IV* in the second quarter of 2008. Foreign exchange rates reduced revenue and gross profit by approximately $12.8 million and $0.7 million, respectively, in the second quarter of 2009.

Distribution

(thousands of dollars)	2009	%	2008	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$ 55,525**	**100.0%**	$ 56,285	100.0%	$ (760)	(1.4)%
Cost of goods sold	**51,725**	**93.2%**	51,980	92.4%	(255)	(0.5)%
Gross profit	**$ 3,800**	**6.8%**	$ 4,305	7.6%	$ (505)	(11.7)%

Net revenue decreased $0.8 million for the three months ended April 30, 2009 as compared to the same period in 2008 primarily attributable to a decrease in sales of hardware and sales of software for prior generation platforms. In addition, the strengthening U.S. dollar contributed to the decrease in net revenue. Increasing sales of current generation software substantially offset the decrease in net revenue,

primarily fueled by Wii software sales as consumers continued to shift their spending to this platform with the increasing popularity of casual gaming.

Gross profit margins decreased slightly in 2009 primarily due to the sale of older inventory at lower margins resulting from our plan to reduce our inventory levels and SKU count. In addition, cost of goods sold increased reflecting the distribution services agreement that we entered into with Ditan in September 2008. Prior to September 2008, certain product distribution costs were recorded in operating expenses because we operated the distribution warehouse. These costs were partially offset by our continued emphasis on improving margins in our distribution business by focusing on higher margin software products.

Operating Expenses

(thousands of dollars)	2009	% of net revenue	2008	% of net revenue	Increase/ (decrease)	% Increase/ (decrease)
Selling and marketing	**$ 31,044**	**13.5%**	$ 45,949	8.5%	$ (14,905)	(32.4)%
General and administrative	**31,415**	**13.7%**	48,317	9.0%	(16,902)	(35.0)%
Research and development	**14,759**	**6.4%**	14,828	2.7%	(69)	(0.5)%
Business reorganization and related	**-**	**0.0%**	944	0.2%	(944)	(100.0)%
Depreciation and amortization	**4,777**	**2.1%**	7,516	1.4%	(2,739)	(36.4)%
Total operating expenses[(1)]	**$ 81,995**	**35.7%**	$ 117,554	21.8%	$ (35,559)	(30.2)%

(1)

Includes stock-based compensation expense, as follows:

	2009	2008
Selling and marketing	**$ 423**	$ 514
General and administrative	**2,555**	4,576
Research and development	**462**	889

Foreign currency exchange rates favorably impacted total operating expenses by approximately $5.3 million in the second quarter of 2009, compared to the second quarter of 2008.

Selling and marketing

Selling and marketing expenses decreased $14.9 million for the three months ended April 30, 2009, as compared to the same period in 2008 primarily due to:

i. a decrease of $10.4 million in advertising expense primarily related to the release of *Grand Theft Auto IV* in April 2008; and

ii. a decrease of $2.7 million in personnel costs due to the restructuring and termination of employees in our Europe operations; and

iii. a decrease of $2.0 million in personnel and warehouse expenses at our distribution facility, offset by approximately $0.8 million in management fees related to the distribution services agreement that we entered into with Ditan in September 2008. The net savings was partially offset by the distribution fee recorded in cost of goods sold.

General and administrative

General and administrative expenses decreased $16.9 million for the three months ended April 30, 2009 compared to the same period in 2008 primarily due to:

i. a decrease of $2.4 million in professional fees principally due to legal and investment banking expenses incurred in the 2008 period related to the Electronics Arts Inc. ("EA") tender offer

(the "EA Offer") to acquire the outstanding shares of the Company's Common Stock in 2008; and

ii. a decrease of $4.3 million in consulting fees primarily due to a decrease of $2.9 million in stock-based compensation expense related to the ZelnickMedia awards, which was a result of a decrease in the price of our common stock, and $1.4 million of fees incurred related to the EA Offer in 2008; and

iii. a decrease of $3.9 million in personnel costs due to lower performance based compensation and cost saving initiatives; and

iv. a decrease of $4.3 million for bad debt expense primarily due to lower revenue and related accounts receivable balances in the second quarter of 2009.

General and administrative expenses for the three months ended April 30, 2009 and 2008 also include occupancy expense (primarily rent, utilities and office expenses) of $3.8 million and $3.7 million, respectively, related to our development studios.

Research and development

Research and development expenses for the three months ended April 30, 2009 decreased slightly compared to the same period in 2008. Personnel costs increased $0.8 million in the current period as a result of added headcount primarily from prior year acquisitions and expansion initiatives in Asia Pacific markets, offset by a decrease in professional fees from the same period of 2008.

Provision (benefit) for income taxes. For the three months ended April 30, 2009, income tax benefit was $5.3 million, compared to income tax expense of $4.1 million in the second quarter of 2008. The change in income taxes is primarily attributable to pre-tax losses in 2009 compared to pre-tax income in 2008 and adjustments resulting from domestic tax audits that concluded during the second quarter of 2009. We did not record an income tax benefit on our United States pre-tax loss in 2009 due to uncertainty regarding the realization of our deferred tax assets. Our effective tax rate differed from the federal, state and foreign statutory rates primarily due to the recording and reversal of valuation allowances during 2009 and 2008, respectively.

As of April 30, 2009, we had gross unrecognized tax benefits, including interest and penalties, of $16.3 million, all of which would affect our effective tax rate if realized. For the three months ended April 30, 2009, gross unrecognized tax benefits decreased by $11.2 million, which includes a decrease in interest and penalties of $4.9 million, primarily related to adjustments resulting from domestic tax audits that concluded during the second quarter of 2009.

We are regularly audited by domestic and foreign taxing authorities. Audits may result in tax assessments in excess of amounts claimed and the payment of additional taxes. We believe that our tax positions comply with applicable tax law, and that we have adequately provided for reasonably foreseeable tax assessments.

Net income (loss) and earnings (loss) per share. For the three months ended April 30, 2009, our net loss was $10.1 million, compared to net income of $98.2 million in the same period of 2008. Net loss per share for the three months ended April 30, 2009 was $0.13 compared to net income per share of $1.31 and $1.29 for basic and diluted, respectively, for the three months ended April 30, 2008. Weighted average shares outstanding remained relatively flat compared to the prior period.

Six Months ended April 30, 2009 compared to April 30, 2008

Publishing

(thousands of dollars)	2009	%	2008	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$ 323,383**	**100.0%**	$ 605,945	100.0%	$ (282,562)	(46.6)%
Product costs	**108,897**	**33.7%**	175,454	29.0%	(66,557)	(37.9)%
Software development costs and royalties[(1)]	**51,314**	**15.9%**	80,402	13.3%	(29,088)	(36.2)%
Internal royalties	**30,131**	**9.3%**	58,797	9.7%	(28,666)	(48.8)%
Licenses	**22,118**	**6.8%**	31,873	5.3%	(9,755)	(30.6)%
Cost of goods sold	**212,460**	**65.7%**	346,526	57.2%	(134,066)	(38.7)%
Gross profit	**$ 110,923**	**34.3%**	$ 259,419	42.8%	$ (148,496)	(57.2)%

(1) Includes $3,049 and $7,194 of stock-based compensation expense in 2009 and 2008, respectively.

Net revenue decreased $282.6 million for the six months ended April 30, 2009 as compared to the same period in 2008, primarily due to the release of *Grand Theft Auto IV* for the PS3 and Xbox 360 in April 2008, which surpassed all-time sales records for the launch of an entertainment property. Sales of our *Grand Theft Auto* franchise decreased $256.4 million for the six months ended April 30, 2009 as compared to the same period in 2008. Sales of *Grand Theft Auto IV* decreased significantly and was partially offset by the second quarter 2009 releases of *Grand Theft Auto IV: The Lost and Damned* downloadable episode and *Grand Theft Auto: Chinatown Wars* for the Nintendo DS. In addition, net revenue from our *Bully* franchise including the release of *Bully: Scholarship Edition* in the second quarter of 2008 decreased $23.5 million for the six months ended April 30, 2009 as compared to the same period in 2008.

Net revenue on current generation platforms accounted for approximately 60.4% of our total net publishing revenue for the six months ended April 30, 2009 compared to 80.7% for the same period in 2008. The decrease is primarily due to the release of *Grand Theft Auto IV* in April 2008 for the PS3 and Xbox 360. PC software sales increased $23.8 million (107.9%) due primarily to the December 2008 release of *Grand Theft Auto IV*. Sales on the prior generation platforms continued to decline primarily due to a decrease of $31.0 million (53.4%) on PS2, related to decreased sales of prior versions of *Grand Theft Auto* and various sports titles. We expect volume on prior generation platforms to continue to decline as a result of the continuing hardware transition to the current generation hardware platforms and have therefore reduced the number of titles in development for these older platforms. We have also continued to reduce pricing on software titles for the PS2 as the current generation hardware installed base grows.

Gross profit as a percentage of net revenue decreased from the same period of the prior year primarily due to the release of *Grand Theft Auto IV* during the second quarter of 2008. Product costs increased as a percentage of net revenue, primarily due to the manufacturing discounts we received related to the release of *Grand Theft Auto IV* in the second quarter of 2008. Additionally, capitalized software amortization increased as a percentage of net revenue in 2009 as the capitalized software amortization related to *Grand Theft Auto IV* in 2008 was lower as a percentage of net revenue due to its longer product life cycle and lower total development cost as compared to revenue generated. Additionally, we offered greater price concessions in the 2009 period, primarily due to the economic slowdown and increased pressure to lower prices on certain titles. Excluding the impact from sales of our *Grand Theft Auto* franchise, license costs decreased as a percentage of net revenue related to our *Major League Baseball* license which was impacted by the timing of releases and a greater number of baseball titles in our 2009 release schedule.

Revenue earned from licensing our intellectual property to third parties increased $2.6 million for the six months ended April 30, 2009 compared to the same period in 2008 primarily due to licensing from our *Grand Theft Auto* franchise. We recognize substantially higher gross profit margins on revenue earned in connection with licensing our products.

Publishing revenue earned outside of North America accounted for approximately $117.5 million (36.3%) for the six months ended April 30, 2009 compared to $225.3 million (37.2%) in the 2008 period. The year-over-year decrease was primarily attributable to the release of *Grand Theft Auto IV* in the second quarter of 2008. Foreign exchange rates reduced revenue and gross profit by approximately $26.9 million and $2.5 million, respectively, for the six months ended April 30, 2009.

Distribution

(thousands of dollars)	2009	%	2008	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$ 163,149**	**100.0%**	$ 174,307	100.0%	$ (11,158)	(6.4)%
Cost of goods sold	**150,044**	**92.0%**	157,741	90.5%	(7,697)	(4.9)%
Gross profit	**$ 13,105**	**8.0%**	$ 16,566	9.5%	$ (3,461)	(20.9)%

Net revenue decreased $11.2 million for the six months ended April 30, 2009 as compared to the same period in 2008. The decrease was primarily attributable to a decrease of $13.1 million in hardware sales due to our focus on higher margin software products; a decrease of $10.4 million in sales for prior generation software due to declining consumer spending on titles for the prior generation platforms; partially offset by an increase of $14.1 million in sales of Wii software as consumers continued to shift their spending to this platform with the increasing popularity of casual gaming.

Gross profit margins decreased in 2009 primarily due to the sale of older inventory at lower margins resulting from our plan to reduce our inventory levels and SKU count. In addition, cost of goods sold increased reflecting the distribution services agreement that we entered into with Ditan in September 2008. Prior to September 2008, certain product distribution costs were recorded in operating expenses because we operated the distribution warehouse. These were partially offset by our continued emphasis on improving margins in our distribution business by focusing on higher margin software products. Foreign currency exchange rates reduced net revenue and gross profit by approximately $2.2 million and $0.4 million, respectively, for the six months ended April 30, 2009.

Operating Expenses

(thousands of dollars)	2009	% of net revenue	2008	% of net revenue	Increase/ (decrease)	% Increase/ (decrease)
Selling and marketing	**$ 71,818**	**14.8%**	$ 79,678	10.2%	$ (7,860)	(9.9)%
General and administrative	**71,163**	**14.6%**	81,238	10.4%	(10,075)	(12.4)%
Research and development	**35,702**	**7.3%**	30,638	3.9%	5,064	16.5%
Business reorganization and related	**-**	**0.0%**	1,106	0.1%	(1,106)	(100.0)%
Depreciation and amortization	**9,885**	**2.0%**	13,925	1.8%	(4,040)	(29.0)%
Total operating expenses[(1)]	**$ 188,568**	**38.8%**	$ 206,585	26.5%	$ (18,017)	(8.7)%

(1) Includes stock-based compensation expense, as follows:

	2009	2008
Selling and marketing	**$ 916**	$ 1,381
General and administrative	**5,947**	7,948
Research and development	**1,588**	1,977

Foreign currency exchange rates favorably impacted total operating expenses by approximately $11.5 million in the six months ended April 30, 2009, as compared to the same period of 2008.

Selling and marketing

Selling and marketing expenses decreased $7.9 million for the six months ended April 30, 2009 as compared to the same period in 2008 primarily due to:

i. a decrease of $4.6 million in personnel costs due to the restructuring and termination of employees in our Europe operations in December 2007 partially offset by a $1.1 million increase in personnel costs in Asia due to expansion initiatives in the Asia-Pacific region; and

ii. a decrease of $5.5 million in personnel and warehouse expenses at our distribution facility offset by approximately $1.5 million in management fees related to the distribution services agreement that we entered into with Ditan in September 2008. The net savings was partially offset by the distribution fee recorded in cost of goods sold.

General and administrative

General and administrative expenses decreased $10.1 million for the six months ended April 30, 2009 compared to the same period in 2008 primarily due to:

i. a decrease of $4.1 million in consulting fees principally due to a $2.9 million decrease in the stock-based compensation expense related to the ZelnickMedia awards which was the result of a decrease in the price of our common stock, and $1.4 million of fees incurred related to the EA Offer; and

ii. a decrease of $3.5 million in personnel costs due to lower performance based compensation and cost saving initiatives; and

iii. a decrease of $2.9 million for bad debt expense primarily due to lower revenue and related accounts receivable balances in the second quarter of 2009.

General and administrative expenses for the six months ended April 30, 2009 and 2008 also includes occupancy expense (primarily rent, utilities and office expenses) of $6.6 million and $7.2 million, respectively, related to our development studios.

Research and development

Research and development expenses increased $5.1 million for the six months ended April 30, 2009 compared to the same period in 2008 primarily due to:

i. an increase in personnel costs as a result of added headcount primarily from the prior year acquisitions of Rockstar New England (formerly known as Mad Doc Software LLC) and 2K Czech (formerly known as Illusion Softworks, a.s.) as well as expansion initiatives in Asia Pacific markets; and

ii. an increase of $2.9 million of production expenses.

Provision (benefit) for income taxes. For the six months ended April 30, 2009, income tax benefit was $3.2 million, compared to income tax expense of $8.8 million for the same period in 2008. The change in income taxes is primarily attributable to pre-tax losses in 2009 compared to pre-tax income in 2008 and adjustments resulting from domestic tax audits that concluded during the second quarter of 2009. We did not record an income tax benefit on our United States pre-tax loss in 2009 due to uncertainty regarding the realization of our deferred tax assets. Our effective tax rate differed from the federal, state and foreign statutory rates primarily due to the recording and reversal of valuation allowances in 2009 and 2008, respectively.

As of April 30, 2009, we had gross unrecognized tax benefits, including interest and penalties, of $16.3 million, all of which would affect our effective tax rate if realized. For the six months ended

April 30, 2009, gross unrecognized tax benefits decreased by $10.1 million, which includes a decrease in interest and penalties of $4.3 million, primarily related to adjustments resulting from domestic tax audits that concluded during the second quarter of 2009.

We are regularly audited by domestic and foreign taxing authorities. Audits may result in tax assessments in excess of amounts claimed and the payment of additional taxes. We believe that our tax positions comply with applicable tax law, and that we have adequately provided for reasonably foreseeable tax assessments.

Net (loss) income and earnings (loss) per share. For the six months ended April 30, 2009, our net loss was $60.5 million, compared to net income of $60.2 million in the six months ended April 30, 2008. Net loss per share for the six months ended April 30, 2009 was $0.79 compared to net income per share of $0.81 and $0.80 for basic and diluted, respectively, for the six months ended April 30, 2008. Weighted average shares outstanding increased compared to the prior period, mainly due to an increase in the exercise of stock options and vesting of restricted stock over the last twelve months as well as the issuance of 1,496,647 shares of restricted stock in January 2008 in connection with our acquisition of 2K Czech.

Liquidity and Capital Resources

Our primary cash requirements have been to fund (i) the development, manufacturing and marketing of our published products (ii) working capital (iii) acquisitions and (iv) capital expenditures. We expect to rely on funds provided by our operating activities, our Wells Fargo credit agreement and our recently issued convertible senior notes to satisfy our working capital needs.

In July 2007, we entered into a credit agreement with Wells Fargo (the "Credit Agreement"). The Credit Agreement provides for borrowings of up to $140.0 million and is secured by substantially all of our assets and the equity of our subsidiaries. The Credit Agreement expires on July 3, 2012. Revolving loans under the Credit Agreement bear interest at our election of (a) 2.00% to 2.50% above a certain base rate with a minimum 6.00% base rate (8.00% at April 30, 2009 and October 31, 2008), or (b) 3.25% to 3.75% above the LIBOR Rate with a minimum 4.00% LIBOR Rate (7.25% at April 30, 2009 and October 31, 2008). We are also required to pay an annual fee on the unused available balance, ranging from 0.25% to 0.75% based on amounts borrowed.

Availability under the Credit Agreement is restricted by our domestic and United Kingdom based accounts receivable and inventory balances. The Credit Agreement also allows for the issuance of letters of credit in an aggregate amount of up to $25.0 million.

As of April 30, 2009 there were $70.0 million of borrowings and $27.0 million was available for additional borrowings. We had $11.6 million of letters of credit outstanding at April 30, 2009 and were in compliance with all covenants and requirements in the Credit Agreement. On May 28, 2009, we paid down all of the outstanding borrowings on our Credit Agreement.

In May 2009, we issued $138.0 million of 4.375% convertible senior notes due 2014 ("Convertible Notes"). The Convertible Notes will pay interest semi-annually at a rate of 4.375% per annum and will mature on June 1, 2014. The Convertible Notes will be convertible under certain circumstances and during certain periods at an initial conversion rate of 93.6768 shares of our common stock per $1,000 principal amount of notes (representing an initial conversion price of approximately $10.675 per share of common stock or a conversion premium of 25%, for a total of approximately 12,927,000 underlying conversion shares), subject to adjustment in certain circumstances. The initial conversion price represents a conversion premium of 25%. Prior to December 1, 2013, the Convertible Notes will be convertible only upon specified events and, thereafter, at any time. Upon conversion, the Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash

and shares of the Company's common stock. We may redeem some or all of the Convertible Notes for cash under certain circumstances on or after June 5, 2012.

In connection with the offering of the notes, we entered into convertible note hedge transactions, which are expected to reduce the potential dilution to our common stock upon conversion of the notes. The transactions consist of options to purchase approximately 12,927,000 shares of common stock at $10.675 per share, expiring on June 1, 2014, for a total cost of $43.6 million and the sale of warrants to purchase approximately 12,927,000 shares of common stock at $14.945 per share expiring August 30, 2014, for total proceeds of $26.3 million. The cost of the options and the issuance proceeds from the warrants will be applied to additional paid-in capital.

We are subject to credit risks, particularly if any of our receivables represent a limited number of customers or are concentrated in foreign markets. If we are unable to collect our accounts receivable as they become due, it could adversely affect our liquidity and working capital position.

Generally, we have been able to collect our accounts receivable in the ordinary course of business. We do not hold any collateral to secure payment from customers. Effective March 1, 2008, we have purchased trade credit insurance on the majority of our customers to mitigate accounts receivable risk.

A majority of our trade receivables are derived from sales to major retailers and distributors. Our five largest customers accounted for 47.4% and 43.9% of net revenue for the six months ended April 30, 2009 and 2008, respectively. As of April 30, 2009 and October 31, 2008, amounts due from our five largest customers comprised approximately 67.3% and 39.0% of our gross accounts receivable balance, respectively, with our significant customers (those that individually comprised more than 10% of our gross accounts receivable balance) accounting for 62.3% and 11.8% of such balance at April 30, 2009 and October 31, 2008, respectively. We believe that the receivable balances from these largest customers do not represent a significant credit risk based on past collection experience, although we actively monitor each customer's credit worthiness and economic conditions that may impact our customers' business and access to capital. We are monitoring the current global economic conditions, including credit markets and other factors as it relates to our customers in order to manage the risk of uncollectible accounts receivable.

We have entered into various agreements in the ordinary course of business that require substantial cash commitments over the next several years. There were no material agreements requiring known cash commitments entered into during the six months ended April 30, 2009 that were not previously reported in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2008.

We believe our current cash and cash equivalents and projected cash flow from operations, along with availability under our Credit Agreement and net proceeds resulting from the issuance of Convertible Notes, will provide us with sufficient liquidity to satisfy our cash requirements for working capital, capital expenditures and commitments through at least the next 12 months.

Our cash and cash equivalents decreased by $100.7 million for the six months ended April 30, 2009 as follows:

	Six months ended April 30,	
(thousands of dollars)	**2009**	**2008**
Cash used for operating activities	**$ (92,744)**	$ (13,724)
Cash used for investing activities	**(6,067)**	(9,035)
Cash provided by financing activities	**4**	17,532
Effects of exchange rates on cash and cash equivalents	**(1,854)**	388
Net decrease in cash and cash equivalents	**$ (100,661)**	$ (4,839)

At April 30, 2009 we had $179.6 million of cash and cash equivalents, compared to $280.3 million at October 31, 2008. Our decrease in cash and cash equivalents from October 31, 2008 was primarily a result of cash used for operating activities. In the six months ended April 30, 2009 our net loss was partially offset by non-cash expenses and a decrease in accounts receivable, reflecting seasonality in our business as we collected on sales from the holiday season. Offsetting the collection of our accounts receivable were decreases in accounts payable and accruals, also reflecting seasonality, the recognition of deferred revenues related to the release of *Grand Theft Auto IV: The Lost and Damned* downloadable episode and payments for software development costs and licenses. Prepaid expenses and other assets decreased in the 2008 period, mainly as a result of a $19.5 million income tax refund received.

Cash used for investing activities in 2009 consisted of purchases of computer equipment and software which did not significantly increase for the six months ended April 30, 2009 compared to the prior period.

Cash provided by financing activities in 2009 decreased compared to the same period in 2008 reflecting the decrease in the exercise of stock options in 2009 as compared to the same period in 2008 as a result of the lower stock prices in 2009.

Cash and cash equivalents were negatively impacted by $1.9 million in 2009 as a result of foreign currency exchange movements primarily due to the impact of the weakening European currencies against the United States dollar.

Off-Balance Sheet Arrangements

As of April 30, 2009 and October 31, 2008, we did not have any relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we do not have any off-balance sheet arrangements and are not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

Fluctuations in Quarterly Operating Results and Seasonality

We have experienced fluctuations in quarterly operating results as a result of the timing of the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of 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 product shipment. Sales of our titles are also seasonal, with peak shipments typically occurring in the fourth calendar quarter (our fourth and first fiscal quarters) as a result of increased demand for titles during the holiday season. Quarterly comparisons of operating results are not necessarily indicative of future operating results.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to market risks in the ordinary course of our business, primarily risks associated with interest rate and foreign currency fluctuations.

Historically, fluctuations in interest rates have not had a significant impact on our operating results. Under our Credit Agreement, outstanding balances bear interest at our election of (a) 2.00% to 2.50% above a certain base rate with a minimum 6.00% base rate (8.00% at April 30, 2009), or (b) 3.25% to

3.75% above the LIBOR rate with a minimum 4.00% LIBOR Rate (7.25% at April 30, 2009), with the margin rate subject to the achievement of certain average liquidity levels. Changes in market rates may impact our future interest expense. For instance, if the borrowing rate on our line of credit were to increase one percentage point (1.0%), our expected annual interest expense would change by approximately $0.7 million based on our outstanding loan balance as of April 30, 2009. A decrease in the LIBOR rate would not have any impact on interest expense because of the 4.00% minimum LIBOR rate prescribed under our Credit Agreement.

We transact business in foreign currencies and are exposed to risks resulting from fluctuations in foreign currency exchange rates. Accounts relating to foreign operations are translated into United States dollars using prevailing exchange rates at the relevant quarter end. Translation adjustments are included as a separate component of stockholders' equity. For the six months ended April 30, 2009, our foreign currency translation adjustment loss was approximately $11.7 million. The foreign exchange transaction gain recognized in interest and other income in our statement of operations for the six months ended April 30, 2009 and 2008 was $3.8 million and $0.6 million, respectively.

We use forward foreign exchange contracts as cash flow hedges to offset risks related to foreign currency transactions. These transactions primarily relate to non-functional currency denominated inter-company funding loans, non-functional currency denominated accounts receivable and non-functional currency denominated accounts payable. We do not enter into derivative financial instruments for trading purposes.

For the six months ended April 30, 2009, 29.1% of the Company's revenue was generated outside the United States. Using sensitivity analysis, a hypothetical 10% increase in the value of the U.S. dollar against all currencies would decrease revenues by 2.9%, while a hypothetical 10% decrease in the value of the U.S. dollar against all currencies would increase revenues by 2.9%. In the opinion of management, a substantial portion of this fluctuation would be offset by cost of goods sold and expenses incurred in local currency.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter of 2009, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Various lawsuits, claims, proceedings and investigations are pending involving us and certain of our subsidiaries. Depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our business, financial condition, results of operations or cash flows. Except as noted below, there were no new material legal proceedings or material developments to the pending legal proceedings that have been previously reported in Part I, Item 3 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2008. In addition to the matters reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008, we are, or may become, involved in routine litigation in the ordinary course of business which we do not believe to be material to our business, financial condition, results of operations or cash flows.

Derivative Action—Option Backdating. In July and August 2006, shareholders Richard Lasky and Raeda Karadsheh filed purported derivative actions in the U.S. District Court for the Southern District of New York against us, as nominal defendant, and certain of our directors and certain former officers and directors. These actions were consolidated in November 2006 and the plaintiffs filed a consolidated complaint in January 2007, which focused exclusively on our historical stock option granting practices, alleging violations of federal and state law, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment. The complaints sought unspecified damages against all of the individual defendants, reimbursement from certain of the defendants of bonuses or other incentive or equity-based compensation paid to them, equitable and other relief relating to the proceeds from certain of the defendants' alleged improper trading activity in our stock, adoption of certain corporate governance proposals and recovery of litigation costs. These matters were referred to the Special Litigation Committee, which moved to dismiss certain parties from the litigation and to have any claims against the remaining parties be assigned to us for disposition by our management and Board of Directors. On April 21, 2009, the Court granted the Special Litigation Committee's motion in it entirety, dismissing all claims against all named defendants except Ryan A. Brant, James David, Larry Muller, and Kelly G. Sumner, and assigning those remaining claims to the Company as the sole party plaintiff.

Stockholder Action. In March 2008, Patrick Solomon, a stockholder, filed a purported class action complaint in the Court of Chancery of the State of Delaware (the "*Delaware Court*") against us and certain of our officers and directors. On December 19, 2008, the plaintiff filed a supplement to his complaint. The supplement repeats his prior allegations and also alleges the stockholder vote on the amendment of the Company's Incentive Stock Plan and the amendment to the management agreement with ZelnickMedia and the grant of stock thereunder was invalid. On February 17, 2009, the Company filed its motion to dismiss all claims in both pleadings. On March 4, 2009, the plaintiff filed a motion to file a second supplement to his complaint. The second supplement contains additional allegations of breaches of fiduciary duties by the directors, and misleading and incomplete disclosure with respect to the proxy statement for the 2009 annual meeting of stockholders. The second supplement also sought to enjoin the vote on the 2009 Stock Incentive Plan at the 2009 annual meeting of stockholders and a declaration that such Plan is invalid and void. On April 3, 2009, we entered into a settlement in principle of the complaint and the two supplements to the complaint, subject to approval by the Delaware Court. The settlement provides, among other things, for additional disclosure which was contained in a supplement to the proxy statement for our 2009 annual meeting of stockholders. The settlement does not provide for a payment of monetary damages to the plaintiff or the purported class. We intend to oppose an application by the plaintiff's counsel for fees and expenses and expect that any award of fees or expenses will be covered by existing insurance policies. Although we continue to believe that the claims in the complaint and the two supplements are wholly without merit, we entered into the settlement arrangement solely to save the time and expense of continued litigation.

Grand Jury Subpoenas. In 2006, we received grand jury subpoenas issued by the District Attorney of the County of New York requesting production of documents covering various periods beginning on January 1, 1997, including those relating to, among other things, the so-called "Hot Coffee" scenes in *Grand Theft Auto: San Andreas* and options backdating. On April 1, 2009, we announced that the Company had entered into a settlement agreement with the New York County District Attorney. As part of the settlement agreement with the District Attorney, the Company acknowledged that certain of its former directors and officers engaged in certain illegal behaviors related to the historical granting of stock options, and the District Attorney agreed not to prosecute the Company or its corporate subsidiaries for conduct related thereto. In addition, we agreed to pay $0.3 million to the District Attorney for reimbursement of costs related to the District Attorney's investigation, to undergo a review of our corporate governance structure by external legal counsel, and to hire an administrator for our stock plan.

SEC Investigation. In July 2006, we received notice from the SEC that it was conducting an informal non-public investigation of certain stock option grants made from January 1997 to 2006 and in April 2007 we received notice from the SEC that it was conducting a formal investigation of such stock option grants. In August 2007, we received a "Wells" notice from the Staff of the Division of Enforcement of the SEC informing us of its intention to request authority to file charges, and to seek a civil monetary penalty in connection with its investigation. We submitted a response to the Staff's notice in September 2007, urging that no charges should be brought against us. We continued to cooperate with the Staff's inquiries thereafter. On April 1, 2009, we announced that the Company had entered into a settlement agreement with the SEC pursuant to which and without admitting or denying the SEC allegations, we agreed to pay a civil penalty of $3.0 million and stipulated to an injunction against future violations of certain provisions of the federal securities laws. The settlement was approved by the United States District Court for the Southern District of New York on April 2, 2009.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2008 other than the following.

We may be required to record a significant charge to earnings if our goodwill becomes impaired.

We are required under generally accepted accounting principles to review our goodwill for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances, indicating a requirement to reevaluate whether our goodwill continues to be recoverable, include a significant decline in stock price and market capitalization, slower growth rates in our industry or other materially adverse events. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill is determined. This may adversely impact our results of operations.

Increased sales of used video game products could lower our sales.

Certain of our larger customers sell used video games, which are generally priced lower than new video games. If our customers continue to increase their sales of used video games, it could negatively affect our sales of new video games and have an adverse impact on our results of operations.

We rely on a primary distribution service provider for a significant portion of our products and the failure of this service provider to perform as expected could harm our results of operations.

We sell our products to our customers in the United States primarily through a distribution service provider, Ditan Distribution, LLC. Ditan provides shipping, receiving, warehouse management and

related functions. If Ditan does not perform these services in a satisfactory manner, or if we desire or are required to replace Ditan as our primary distributor and are unable to do so, our sales and results of operations could suffer.

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

The Company's Annual Meeting of Stockholders was held on Thursday, April 23, 2009, in New York, New York, at which the following matters were submitted to a vote of the stockholders:

(a)

Votes regarding the election of the persons named below as Directors for a term expiring at the 2010 annual meeting of stockholders in 2010 were as follows:

	For	Withhold
Ben Feder	62,501,784	5,138,436
Strauss Zelnick	62,330,399	6,309,821
Robert A. Bowman	63,589,267	5,041,953
Grover C. Brown	63,708,128	4,932,092
Michael Dornemann	62,145,038	6,495,182
John F. Levy	62,942,951	5,697,269
J Moses	62,119,290	6,520,930
Michael Sheresky	62,115,821	6,524,399

(b)

Votes regarding the approval of the adoption of the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan were as follows:

For	Against	Abstain	Broker Non-Votes
46,707,426	13,813,751	14,124	8,104,919

(c)

Votes regarding the approval of an amendment to the Restated Certificate of Incorporation of the Company to increase the number of authorized shares of common stock from 100 million to 150 million were as follows:

For	Against	Abstain	Broker Non-Votes
63,549,915	5,064,827	31,478	0

(d)

Votes regarding ratification of the appointment of Ernst & Young LLP as independent auditors of the Company to serve for the fiscal year ending October 31, 2009, were as follows:

For	Against	Abstain	Broker Non-Votes
68,225,603	369,069	45,548	0

(e)

Votes regarding the approval of a shareholder proposal concerning executive compensation were as follows:

For	Against	Abstain	Broker Non-Votes
2,404,065	62,413,666	5,717,571	8,104,919

Item 6. Exhibits

Exhibits:	
10.1	Amendment to Xbox 360 Publisher License Agreement, between Microsoft Licensing, GP and the Company*
10.2	Form of Employee Restricted Stock Agreement
10.3	Form of Non-Employee Director Restricted Stock Agreement
10.4	Employment Agreement Dated March 16, 2009 between Registrant and Manuel Sousa
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Portions hereof have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

SIGNATURES

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Registrant)

Date: June 5, 2009 By: /s/ BEN FEDER

Ben Feder
Chief Executive Officer
(Principal Executive Officer)

Date: June 5, 2009 By: /s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial and Accounting Officer
(Principal Financial Officer)

**** Denotes confidential information that has been omitted and filed separately, accompanied by a confidential treatment request, with the Securities and Exchange Commission pursuant to 17 C.F.R. 200.83.

AMENDMENT TO THE
XBOX 360 PUBLISHER LICENSE AGREEMENT
(2008 Renewal; Tier C; Hits Program Revisions; Expansion Packs; New Xbox 360 Live and PDLC Incentive Program; XLSP; Japan Volume Rebate Revision; Token Promotions; Joint Promotions)

This Amendment to the Xbox 360 Publisher License Agreement (this "Amendment") is entered into and effective as of the later of the two signature dates below (the "Amendment Effective Date") by and between Microsoft Licensing, GP, a Nevada general partnership ("Microsoft"), and TAKE-TWO INTERACTIVE SOFTWARE, INC. ("Publisher"), and supplements that certain Xbox 360 Publisher License Agreement between the parties dated as of November 17, 2005, as amended (the "Xbox 360 PLA").

RECITALS

A. Microsoft and Publisher entered into the Xbox 360 PLA to establish the terms under which Publisher may publish video games for Microsoft's Xbox 360 video game system.

B. The parties now wish to extend the term and otherwise amend certain terms of the Xbox 360 PLA as set forth below.

Accordingly, for and in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, receipt of which each party hereby acknowledges, Microsoft and Publisher agree as follows:

1. Definitions

1.1 The definitions of "**Asian Manufacturing Region**", "**North American Manufacturing Region**", "**European Manufacturing Region**" and "**Manufacturing Region**" are hereby deleted from the Xbox 360 PLA.

1.2 The definition of "**Online Content**" is hereby amended and restated in its entirety as follows:

"Online Content" means any content, feature, or access to software or online service that is distributed by Microsoft pursuant to this Agreement. Online Content includes, but is not limited to, Online Game Features, Title Updates, Demo Versions, Xbox LIVE Arcade games, trailers, "themes," "gamer pictures" or any other category of online content or service approved by Microsoft from time to time. Trailers, "themes," "gamer pictures" and any other approved Online Content is further described in the Xbox 360 Publisher Guide.

1.3 The definition of "**Software Title**" is hereby expanded to include Expansion Pack(s).

1.4 The following definitions are hereby added to Section 2 of the Xbox 360 PLA.

1.4.1 "**Expansion Pack**" means an FPU that is an add-on, mission pack, game expansion, incremental content, and/or other addition to a Software Title that (i) would not be generally considered in the console game industry to be a next full version release (e.g., a version 1.0 to 1.5); (ii) requires another full version video game in order to operate, (iii) is derived from the content, story, characters or other intellectual property of the full version video game required to play it, and (iv) has a WSP (defined below) that is equal to or below the Threshold Price (defined below) listed for the royalty tiers applicable to Expansion Packs in Section 1 b. of Exhibit 1 attached hereto. In order to meet this definition of Expansion Pack, such addition to a Software Title must be approved by Microsoft as an Expansion Pack.

1.4.2 "**Family Hit**" means any Hits Software Title that (i) received an "E," or an "E10" rating from the ESRB; a "PEGI 3+" or "PEGI 7+" rating in Europe, an "A: All Ages" rating from CERO in Japan and/or an equivalent rating in the applicable Sales Territory (to the extent Software Titles are rated by regulatory boards within the applicable Sales Territory); and (ii) is character based and/or appeals, as determined by Microsoft in its sole good faith discretion, to children 12 years of age and younger. Notwithstanding the foregoing, annual sports titles will not qualify as a Family Hit.

1.4.3 "**Hit(s) FPU**" means each unit of a Software Title that is qualified and participating in a Hits Program.

1.4.4 "**Hits Program(s)**" mean Xbox 360 Platinum or Classic Hits and/or the Xbox 360 Family Hits programs.

1.4.5 **"Hits Software Title**" means any Software Title that qualifies to participate in the Hits Program pursuant to Section 2 of Exhibit 1 attached hereto.

1.4.6 "**Standard FPU**" means an FPU of a Software Title that is not a Hits FPU.

1.4.7 "**Standard Software Title**" means any Software Title that is not a Hits Software Title or an Expansion Pack.

1.4.8 "**Threshold Price**" means the Wholesale Price (WSP) in the case of the North American, European, and Asian Sales Territories, or Suggested Retail Price (SRP) in the Japan Sales Territory at which Publisher intends to sell the Software Title. If the Software Title is bundled with any other product or service that is not another Software Title, the Threshold Price will be the applicable WSP or SRP for the entire bundle.

1.5 Except as expressly provided otherwise in this Amendment, capitalized terms shall have the same meanings as those ascribed to them in the Xbox 360 PLA.

2. Term

Section 17.1 of the Xbox 360 PLA is hereby amended and restated in its entirety as follows:

"**17.1 Term**. The term of this Agreement shall commence on the Effective Date and shall continue until six (6) years after such date that the Xbox 360 is first commercially released by Microsoft in the United States. Unless one party gives the other notice of non-renewal within [****] of the end of the then-current term, this Agreement shall automatically renew for successive one year terms."

3. Pre-Certification

Section 4.1.2 of the Xbox 360 PLA is hereby amended and restated in its entirety as follows:

"4.1.2 **Pre-Certification.** If the Concept is approved, Publisher may, at Publisher's option, deliver to Microsoft a code-complete version of the Software Title or Online Content that includes all current features of the Software Title and such other content as may be required under the Xbox 360 Publisher Guide. Upon receipt thereof and payment by Publisher of the applicable Pre-Certification fee as set forth in the Xbox 360 Publisher Guide, Microsoft shall conduct technical screen and/or other testing of the Software Title or Online Content consistent with the Xbox 360 Publisher Guide and will subsequently provide Publisher with advisory feedback regarding such testing."

4. Exhibits

4.1 Exhibits 1, 2 and 3 of the Xbox 360 PLA are hereby amended and restated in their entirety as attached hereto. Exhibit 6 (Japan/Asian Royalty Incentive Program) of the Xbox 360 PLA has expired. Exhibits 6 and 8 attached hereto are hereby added to the Xbox 360 PLA.

4.2 The term of the Xbox 360 Live Incentive Program attached as Exhibit 7 of the Xbox 360 PLA (the "Original Live Incentive Program") is hereby [****]. Effective [****], the Original Live Incentive Program is replaced by the Xbox Live and PDLC Incentive Program attached as Exhibit 7 to this Amendment.

5. Non-Disclosure

Section 13.1 of the Xbox 360 PLA is hereby deleted and replaced by the following:

"13.1 "**Non-Disclosure Agreement**. The information, materials and software exchanged by the parties hereunder or under an XDK License, including the terms and conditions hereof and of the XDK License, are subject to the Non-Disclosure Agreement between the parties attached hereto as Exhibit 5 (the "Non-Disclosure Agreement"), which is

incorporated herein by reference; provided, however, that for purposes of the foregoing, any time limitation in the Non-Disclosure Agreement on the parties' obligations to refrain from disclosing information protected under the Non-Disclosure Agreement ("Confidential Information") shall be extended so that any Confidential Information provided in relation to this Agreement or by way of the XDK License in whatever form (e.g. information, materials, tools and/or software exchanged by the parties hereunder or under an XDK License), including the terms and conditions hereof and of the XDK License, unless otherwise specifically stated, will be protected from disclosure for as long as it remains confidential."

6. Promotions

6.1 Token Promotions. In the event Publisher desires to distribute password-protected codes representing "tokens" (a "Token Promotion") that are redeemable by users for Online Content downloads from Xbox Live ("Content Tokens") as part of promotional activities related to a Software Title using Xbox Live Marketplace, Publisher shall submit to Microsoft a Content Token Request form available in the Xbox 360 Publisher Guide ("Token Form") for approval by Microsoft. Upon approval by Microsoft, [****] or Microsoft may, but is not obligated to, offer Publisher credit terms for payment of such fees. As soon as commercially feasible after payment by Publisher for an order for Content Tokens (or Microsoft's determination of Publisher's credit worthiness), Microsoft shall create Content Tokens and deliver them to Publisher. Publisher may distribute the Content Tokens for the Content download solely as part of the Token Promotion within the Sales Territory and during the term of the Token Promotion specified on the Token Form. No other payments under the Xbox 360 PLA (MS Points or otherwise) will be paid with respect to the Content Tokens. Publisher shall be solely responsible for all aspects of marketing and fulfillment of the Token Promotion, including without limitation all advertising and other promotional materials related to the Token Promotion which shall be deemed Marketing Materials.

6.2 Joint Promotions. Microsoft and Publisher may from time to time to develop, execute, and administer promotions involving the Software Title(s) (e.g., Play and Win weekends for the Software Titles on Xbox LIVE, promotional sweepstakes involving the Software Titles, etc.) (each, a "Promotion"). In connection therewith, the parties shall execute a promotion schedule to this Agreement in the form set forth in the Xbox 360 Publisher Guide (each, a "Promotion Schedule"). The parties agree that the following additional terms and conditions shall apply to each Promotion for which a Promotion Schedule has been fully executed: (i) each party shall have the right and license to use the specific properties indentified in the Promotion Schedule solely in connection with the Promotion during the promotional period and territory identified in the Promotion Schedule; (ii) all promotional materials prepared by or on behalf of the parties for the Promotion shall be subject to the other party's approval. The party approving such materials shall have [****] to approve or disapprove such materials. Failure to respond within such [****] period shall be deemed an approval; and (iii) the parties shall comply with all other obligations set forth in the Promotion Schedule.

7. Online Content Samples.

7.1 Xbox LIVE Arcade. For each piece of Online Content that is an Xbox LIVE Arcade game, Microsoft will be entitled to create [****] Content Tokens, [****] of which Microsoft will provide to the Publisher and [****] of which Microsoft may use in marketing, as product samples, for customer support, testing and archival purposes. Publisher shall not be entitled to any Royalty Fee or other compensation with respect to Microsoft's distribution of Content Tokens as authorized under this Section 7.1.

7.2 Premium Online Content. For each piece of Premium Online Content, Microsoft will be entitled to create up to [****] Content Tokens, which Publisher and Microsoft may use in marketing, as product samples, for customer support, testing and archival purposes (the Content Tokens will be split approximately [****] between Publisher and Microsoft respectively). Publisher shall not be entitled to any Royalty Fee or other compensation with respect to Microsoft's distribution of Content Tokens as authorized under this Section 7.2

8. Online Content

Notwithstanding any termination or expiration of Microsoft's license to distribute Online Content, Publisher acknowledges and agrees that Microsoft will retain a copy of Online Content, and Publisher hereby grants Microsoft the license to redistribute the final version of any Online Content to Xbox Live Users who have previously purchased it, directly or indirectly, from Microsoft.

9. Minimum Order Quantities

9.1 The MOQ per Software Title set forth in Section 7.5.1 of the Xbox 360 PLA for the [****].

9.2 Section 7.5.2 of the Xbox 360 PLA is hereby amended and restated as follows:

"7.5.2 For the purposes of this section, a "Disc" shall mean an FPU that is signed for use on a certain defined range of Xbox 360 hardware, regardless of the number of languages or product skus contained thereon. Publisher must meet the MOQs independently for each Sales Territory. For example, if an FPU is released in both the North American Sales Territory and the European Sales Territory, then the Publisher must place orders to manufacture (i) at least [****] FPUs for sale in the North American Sales Territory, including a minimum of [****] per Disc included in such FPUs, and (ii) [****] FPUs for the European Sales Territory, including a minimum of [****] per Disc included in such FPUs."

10. Except and to the extent expressly modified by this Amendment, the Xbox 360 PLA shall remain in full force and effect and is hereby ratified and confirmed. In the event of any conflict between this Amendment and the Xbox 360 PLA the terms of this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the Amendment Effective Date.

MICROSOFT LICENSING, GP	**TAKE-TWO INTERACTIVE SOFTWARE, INC.**
/s/ Astrid B. Ford	/S/ Daniel P. Emerson
By (sign)	By (sign)
Astrid B. Ford	Daniel P. Emerson
Name (Print)	Name (Print)
Sr. Xbox Program Manager	Vice President and Associate General Counsel
Title	Title
12/04/08	11/26/08
Date (Print mm/dd/yy)	Date (Print mm/dd/yy)

EXHIBIT 1

PAYMENTS

1. Platform Royalty

a. For each FPU manufactured during the term of this Agreement, Publisher shall pay Microsoft nonrefundable royalties in accordance with the royalty tables set forth below (Tables 1 and 2) and the "Unit Discount" table set forth in Section 1.d of this Exhibit 1 (Table 3).

b. To determine the applicable royalty rate for a particular Software Title that will be sold in a particular Sales Territory, the applicable Threshold Price from Table 1 below for the category of Software Title (Standard Software Title, Hits Software Title and Expansion Pack) will determine the correct royalty "Tier" (except with respect to the first Commercial Release of Hits Software Titles as described further in (ii) below). The royalty rate is then as set forth in Table 2 based on such Tier and the Sales Territory in which the FPUs will be sold. For example, assume the Wholesale Price of a Standard Software Title to be sold in the European Sales Territory is [****]. According to Table 1, Tier B royalty rates will apply to that Software Title and the royalty rate for each FPU as set forth in Table 2 is [****].

Table 1: Tier

[****]

Table 2: Royalty Rate

[****]

c. Setting the Royalty.

(i) Standard Software Titles and Expansion Packs. Publisher shall submit to Microsoft, at least [****] for a Standard Software Title or an Expansion Pack, a completed and signed "Xbox 360 Royalty Tier Selection Form" in the form attached to this Agreement as Exhibit 2 for each Sales Territory. The selection indicated in the Xbox 360 Royalty Tier Selection Form will only be effective once it has been approved by Microsoft. If a Standard Software Title or Expansion Pack does not have an approved Xbox 360 Royalty Tier Selection Form as required hereunder (e.g. as a result of the Publisher not providing a Xbox 360 Royalty Tier Selection Form or because Microsoft has not approved the Xbox 360 Royalty Tier Selection Form), the royalty rate for such Standard Software Title will default to [****] or for such Expansion Pack will default to [****], regardless of the actual Threshold Price (i.e., if Microsoft does not approve an Xbox 360 Royalty Tier Selection Form because it is filled out incorrectly, the royalty rate will default to [****]). Except as set forth in Section 2 (Hits Programs), the selection of a royalty tier for a Standard Software Title or Expansion Pack in a Sales Territory is binding for the life of that Software Title or Expansion Pack even if the Threshold Price is reduced following the Software Title's Commercial Release.

(ii) Hits Software Title. Publisher shall submit to Microsoft, at least [****] a completed and signed Hits Programs Election Form in the form attached hereto as Exhibit 6 for each Sales Territory. The Hits Programs Election Form will only be effective once it has been approved by Microsoft. If a Hits Software Title does not have an approved Hits Programs Election Form as required hereunder (e.g. as a result of the Publisher not providing a Hits Programs Election Form or because Microsoft has not approved the Hits Programs Election Form), the royalty rate for such Hits Software Title will default to [****] (i.e., if Microsoft does not approve a Hits Programs Election Form because it is filled out incorrectly, the royalty rate will default to [****]). Unless the Software Title is a Family Hits Title, the first time a Software Title is Commercially Released as a Hits Software Title, the [****] royalty rate will apply. However, if the Software Title is a Family Hits Title and meets the WSP requirements set forth in Table 1 above, Publisher may select the [****] royalty rate. For the avoidance of doubt, all Hits Software Titles for the European Sales Territory shall default to the [****] royalty rate.

[****] after the Commercial Release of a Hits Software Title at the [****] royalty rate, Publisher may elect to change the previously elected royalty rate for such Hits Software Title to [****] in a specific Sales Territory provided that the Hits Software Title has a WSP or SRP that meets the requirements for [****] royalty rate in Table 1 above. Publisher must submit to Microsoft, at least [****] before placing the first manufacturing order for the applicable Hits Software Title, a completed Xbox 360 Royalty Tier Migration Form (a "Tier Migration Form") set forth in Exhibit 8 for each Sales Territory. The change in royalty rate will only apply to manufacturing orders for such Hits Software Title placed after the relevant Tier Migration Form has been approved by Microsoft.

(iii) Cross Territory Sales. Except for FPUs manufactured pursuant to Section 5 below (Asia Simship Program), Publisher may not sell FPUs in a certain Sales Territory that were manufactured for a different Sales Territory. For example, if Publisher were to manufacture and pay royalties on FPUs designated for sale in the Asian Sales Territory, Publisher could not sell those FPUs in the European Sales Territory.

d. Unit Discounts. Publisher is eligible for a discount to FPUs manufactured for a particular Sales Territory (a "Unit Discount") based on the number of FPUs that have been manufactured for sale in that Sales Territory as described in Table 3 below. Except as provided in Section 5 below, units manufactured for sale in a Sales Territory are aggregated only towards a discount on FPUs manufactured for that Sales Territory; there is no worldwide or cross-territorial aggregation of units for a particular Software Title. The discount will be rounded up to the nearest Cent, Yen or hundredth of a Euro.

Table 3: Unit Discounts

[****]

2. Hits Programs

a. If a Software Title meets the criteria set forth below and the applicable participation criteria in a particular Sales Territory at the time of the targeted Commercial Release date of the Hits FPU and Microsoft receives the Hits Programs Election Form within the time period set forth in Section 2.a.iv below, Publisher is authorized to manufacture and distribute Hits FPUs in such Sales Territory and at the royalty rate in Table 2 of Section 1 above applicable to Hits FPUs. In order for a Software Title to qualify as a Hits FPU in a Sales Territory, the following conditions, as applicable per Hits Program, must be satisfied:

i. the Software Title must have been commercially available as a Standard FPU in the applicable Sales Territory for at least [****] but not more than [****] at the time of Commercial Release of the Hits FPU.

ii. In any calendar year in a Sales Territory, Publisher may not publish more than [****] Software Titles as a Family Hit.

iii. The Threshold Price for the Hits FPU must not exceed a maximum Threshold Price for the relevant Sales Territory ([****] for the North American Sales Territory, [****] in the European Sales Territory, [****] in the Japan Sales Territory, or the equivalent of [****] for the Asian Sales Territory).

iv. Publisher must provide notice to Microsoft, at least [****] prior to the targeted Commercial Release, of its intent to have a certain Software Title participate in the Hits Program by providing Microsoft with a completed Hits Program Election Form.

b. As of the date Publisher wishes to Commercially Release the Software Title as a Hits FPU, Publisher must have manufactured the following minimum FPUs of the Software Title as a Standard Software Title for the applicable time period, Sales Territory and Hits Program.

Table 1: Manufacturing Requirements

[****]

c. All Marketing Materials for a Hits Software Title must comply with all Microsoft branding requirements as may be required in each Sales Territory, and Publisher shall submit all such Marketing Materials to Microsoft for its approval in accordance with the Xbox 360 PLA. Notwithstanding the foregoing, all Hit FPUs must comply with the basic branding and other requirements for Marketing Materials set forth in the Xbox 360 Publisher Guide.

d. The Hit FPU version must be the same or substantially equivalent to the Standard FPU version of the Software Title. Publisher may modify or add additional content or features to the Hit FPU version of the Software Title (e.g., demos or game play changes) subject to Microsoft's review and approval, and Publisher acknowledges that any such modifications or additions may require the Software Title to be re-Certified at Publisher's expense.

e. Publisher acknowledges that Microsoft may change any of the qualifications for participation in a Hit Program upon [****] advanced written notice to Publisher.

3. Payment Process

[****], in United States dollars for all FPUs manufactured for sale in the North American Sales Territory, in Euros for all FPUs manufactured for sale in the European Sales Territory and in Yen for all FPUs manufactured for sale in the Japan and Asian Sales Territories. Publisher shall not authorize its Authorized Replicators to begin production until such time as [****]. Depending upon Publisher's credit worthiness, Microsoft may, but is not obligated to, offer Publisher credit terms for the payment of royalties due under this Agreement within [****] from invoice creation. All payments will be made by wire transfer only, in accordance with the payment instructions set forth in the Xbox 360 Publisher Guide.

4. Billing Address

a. Publisher may have only two "bill to" addresses for the payment of royalties under this Agreement, one for FPUs manufactured by Authorized Replicators located in the North American Sales Territory and one for FPUs manufactured by Authorized Replicators located in the Japan Sales Territory and Asian Sales Territory. If Publisher desires to have a "bill-to" address in a European country, Publisher (or a Publisher Affiliate) must execute an Xbox 360 Publisher Enrollment Form with MIOL within [****] prior to establishing a billing address in a European country in the form attached to this Agreement as Exhibit 3.

Publisher's billing address(es) is as follows:

North American Sales Territory:		Japan and Asian Sales Territory (if different than the North American billing address):	
Name:	_____	Name:	_____
Address:	_____	Address:	_____
	_____		_____
	_____		_____
Attention:	_____	Attention:	_____
Email address:	_____	Email address:	_____
Fax:	_____	Fax:	_____
Phone:	_____	Phone:	_____

5. Asia Simship Program

The purpose of this program is to encourage Publisher to release Japanese, North American or European FPUs, that have been multi-region signed to run on NTSC-J boxes (hereinafter collectively referred to as "Simship Titles"), in Hong Kong, Singapore, Korea and Taiwan (referred to as "Simship Territory") at the same time as Publisher releases the Software Title in the Japan, European and/or North American Sales Territories. In order for a Software Title to qualify as a Simship Title, Publisher must Commercially Release the Software Title in the Simship Territory on the same date as the Commercial Release date of such Software Title in the Japan, European and/or North American Sales Territories, wherever the Software Title was first Commercially Released (referred to as "Original Territory"). To the extent that a Software Title qualifies as a Simship Title, the applicable royalty tier (under Section 1.b of this Exhibit 1 above) and Unit Discount (under Section 1.d of this Exhibit 1 above) is determined as if all FPUs of such Software Title manufactured for distribution in both the Original Territory and the Simship Territory were manufactured for distribution in the Original Territory. For example, if a Publisher initially manufactures [****] FPUs of a Software Title for the Japan Sales Territory and simships [****] of those units to the Simship Territory, the royalty rate for all of the FPUs is determined by [****]. In this example, Publisher would also receive a [****] Unit Discount on [****] units for having exceeded the Unit Discount level specified in Section 1.d. of this Exhibit 1 above applicable to the Japan Sales Territory. Publisher must provide Microsoft with written notice of its intention to participate in the Asian Simship Program with respect to a particular Software Title at least [****] prior to manufacturing any FPUs it intends to qualify for the program. In its notice, Publisher shall provide all relevant information, including total

number of FPUs to be manufactured, number of FPUs to be simshipped into the Simship Territory, date of simship, etc. Publisher remains responsible for complying with all relevant import, distribution and packaging requirements as well as any other applicable requirements set forth in the Xbox 360 Publisher Guide.

6. Online Content

a. For the purpose of this Section 6, the following capitalized terms have the following meanings:

[****]

[****]

b. Publisher may, from time to time, submit Online Content to Microsoft for Microsoft to distribute via Xbox Live. [****]

c. [****]

d. [****]

e. [****]

f. [****]

g. Within [****] after the end of [****] with respect to which Microsoft owes Publisher any Royalty Fees, Microsoft shall furnish Publisher with a statement, together with payment for any amount shown thereby to be due to Publisher. The statement will contain information sufficient to discern how the Royalty Fees were computed.

7. Xbox Live Billing and Collection

Microsoft is responsible for billing and collecting all fees associated with Xbox Live, including fees for subscriptions and/or any Online Content for which an Xbox Live User may be charged. [****]

8. Taxes

a. The amounts to be paid by either party to the other do not include any foreign, U.S. federal, state, local, municipal or other governmental taxes, duties, levies, fees, excises or tariffs, arising as a result of or in connection with the transactions contemplated under this Agreement including, without limitation, (i) any state or local sales or use taxes or any value added tax or business transfer tax now or hereafter imposed on the provision of any services to the other party under this Agreement, (ii) taxes imposed or based on or with respect to or measured by any net or gross income or receipts of either party, (iii) any franchise taxes, taxes on doing business, gross receipts taxes or capital stock taxes (including any minimum taxes and taxes measured by any item of tax preference), (iv) any taxes imposed or assessed after the date upon which this Agreement is terminated, (v) taxes based upon or imposed with reference to either parties' real and/or personal property ownership and (vi) any taxes similar to or in the nature of those taxes described in (i), (ii), (iii), (iv) or (v) above, now or hereafter imposed on either party (or any third parties with which either party is permitted to enter into agreements relating to its undertakings hereunder) (all such amounts, together with any penalties, interest or any additions thereto, collectively "Taxes"). Neither party is liable for any of the other party's Taxes incurred in connection with or related to the sale of goods and services under this Agreement, and all such Taxes are the financial responsibility of the party obligated to pay such taxes as determined by the applicable law, provided that both parties shall pay to the other the appropriate Collected Taxes in accordance with subsection b below. Each party agrees to indemnify, defend and hold the other party harmless from any Taxes (other than Collected Taxes, defined below) or claims, causes of action, costs (including, without limitation, reasonable attorneys' fees) and any other liabilities of any nature whatsoever related to such Taxes to the extent such Taxes relate to amounts paid under this Amendment.

b. Any sales or use taxes described in a. above that (i) are owed by either party solely as a result of entering into this Agreement and the payment of the fees hereunder, (ii) are required to be collected from that party under applicable law, and (iii) are based solely upon the amounts payable under this Agreement (such taxes the "Collected Taxes"), will be stated separately as applicable on payee's invoices and will be remitted by the other party to the payee, upon request payee shall remit to the other party official tax receipts indicating that such Collected Taxes have been collected and paid by the payee. Either party may provide the other party an exemption certificate acceptable to the relevant taxing authority

(including without limitation a resale certificate) in which case payee shall not collect the taxes covered by such certificate. Each party agrees to take such commercially reasonable steps as are requested by the other party to minimize such Collected Taxes in accordance with all relevant laws and to cooperate with and assist the other party, in challenging the validity of any Collected Taxes or taxes otherwise paid by the payor party. Each party shall indemnify and hold the other party harmless from any Collected Taxes, penalties, interest, or additions to tax arising from amounts paid by one party to the other under this Agreement, that are asserted or assessed against one party to the extent such amounts relate to amounts that are paid to or collected by one party from the other under this section. If any taxing authority refunds any tax to a party that the other party originally paid, or a party otherwise becomes aware that any tax was incorrectly and/or erroneously collected from the other party, then that party shall promptly remit to the other party an amount equal to such refund, or incorrect collection as the case may be plus any interest thereon.

c. If taxes are required to be withheld on any amounts otherwise to be paid by one party to the other, the paying party shall deduct such taxes from the amount otherwise owed and pay them to the appropriate taxing authority. At a party's written request and expense, the parties shall use reasonable efforts to cooperate with and assist each other in obtaining tax certificates or other appropriate documentation evidencing such payment, provided, however, that the responsibility for such documentation shall remain with the payee party. If Publisher is required by any non-U.S.A. government to withhold income taxes on payments to Microsoft, then Publisher may deduct such taxes from the amount owed Microsoft and shall pay them to the appropriate tax authority, provided that within [****] of such payment, Publisher delivers to Microsoft an official receipt for any such taxes withheld or other documents necessary to enable Microsoft to claim a U.S.A. foreign tax credit.

b. This Section 7 shall govern the treatment of all taxes arising as a result of or in connection with this Agreement notwithstanding any other section of this Agreement.

9. Audit

During the term of this Agreement and for [****] thereafter each party shall keep all usual and proper records related to its performance under this Agreement, including but not limited to audited financial statements and support for all transactions related to the ordering, production, inventory, distribution and billing/invoicing information. Such records, books of account, and entries will be kept in accordance with generally accepted accounting principles. Either party (the "Auditing Party") may audit and/or inspect the other party's (the "Audited Party") records no more than [****] in any [****] period in order to verify compliance with the terms of this Agreement. The Auditing Party may, upon reasonable advance notice, audit the Audited Party's records and consult with the Audited Party's accountants for the purpose of verifying the Audited Party's compliance with the terms of this Agreement and for a period of [****]. Any such audit will be conducted during regular business hours at the Audited Party's offices. Any such audit will be paid for by Auditing Party unless Material discrepancies are disclosed. As used in this section, "Material" means [****]. If Material discrepancies are disclosed, the Audited Party agrees to pay the Auditing Party for [****].

EXHIBIT 2

XBOX 360 ROYALTY TIER SELECTION FORM

PLEASE COMPLETE THE BELOW INFORMATION, SIGN THE FORM, AND FAX IT TO MICROSOFT AT +1 (425) 708-2300 TO THE ATTENTION OF MICROSOFT LICENSING, GP (MSLI) AND YOUR ACCOUNT MANAGER.

NOTES:

1. **THIS FORM MUST BE SUBMITTED AT LEAST [****]. IF THIS FORM IS NOT SUBMITTED ON TIME OR IS REJECTED BY MICROSOFT, THE ROYALTY RATE WILL DEFAULT TO [****] FOR THE APPLICABLE SALES TERRITORY.**

2. **A SEPARATE FORM MUST BE SUBMITTED FOR EACH SALES TERRITORY.**

1. Publisher Name: _____

2. Xbox 360 Software Title Name: _____

3. XeMID Number:

_____

4. Sales Territory (check one):

- ☐ North American Sales Territory
- ☐ Japan Sales Territory
- ☐ European Sales Territory
- ☐ Asian Sales Territory

5. Final Certification Date: _____

6. Select Royalty Tier: (check one): [****]

The undersigned represents that he/she has authority to submit this form on behalf of the above Publisher, and that the information contained herein is true and accurate.

_____
By (sign)

_____
Name, Title (Print)

_____
E-Mail Address (for confirmation of receipt)

_____
Date (Print mm/dd/yy)

EXHIBIT 3

XBOX 360 PUBLISHER ENROLLMENT FORM

PLEASE COMPLETE THIS FORM, SIGN IT, AND FAX IT TO MICROSOFT AT +1 (425) 708-2300 TO THE ATTENTION OF YOUR ACCOUNT MANAGER.

NOTE: PUBLISHER MUST COMPLETE, SIGN AND SUBMIT THIS ENROLLMENT FORM [****].

This Xbox 360 Publisher Enrollment Form ("Enrollment") is entered into between Microsoft Ireland Operations Ltd. ("MIOL") and the following publisher ("Publisher"):

Publisher: _____
Address: _____
_____

Attention: _____
Fax: _____
Phone: _____
Email: _____
VAT number: _____

and is effective as of the latter of the two signatures identified below. The terms of that certain Xbox 360 Publisher License Agreement signed by Microsoft Licensing, GP and _____ dated _____ (the "Xbox 360 PLA") are incorporated herein by reference.

1. Term. This Enrollment will expire on the date on which the Xbox 360 PLA expires, unless it is terminated earlier as provided for in the Xbox 360 PLA.

2. Representations and Warranties. By signing this Enrollment, the parties agree to be bound by the terms of this Enrollment, and Publisher represents and warrants that: (i) it has read and understands the Xbox 360 PLA, including any amendments thereto, and agrees to be bound by those; (ii) it is either the entity that signed the Xbox 360 PLA or its affiliate; and (iii) the information that it has provided herein is accurate.

3. Notices; Requests. All notices and requests in connection with this Enrollment are deemed given on (i) the [****] after they are deposited in the applicable country's mail system ([****] if sent internationally), postage prepaid, certified or registered, return receipt requested; or (ii) [****] after they are sent by overnight courier, charges prepaid, with a confirming fax; and addressed to the Publisher as set forth above and to MIOL as follows:

Microsoft: MICROSOFT IRELAND OPERATIONS LTD.
Microsoft European Operations Centre,
Atrium Building Block B,
Carmenhall Road,
Sandyford Industrial Estate
Dublin 18
Ireland

Fax: 353 1 706 4110

Attention: MIOL Xbox Accounting Services

with a cc to: MICROSOFT CORPORATION
One Microsoft Way
Redmond, WA 98052-6399

Attention: Legal & Corporate Affairs Department
Legal Group, E&D (Xbox)
Fax: +1 (425) 706-7329

MICROSOFT CONFIDENTIAL

or to such other address as the party to receive the notice or request so designates by written notice to the other.

4. Billing Address. For purposes of the Xbox 360 PLA, Exhibit 1, Section 4, Publisher's billing address for FPUs manufactured by Authorized Replicators located in the European Sales Territory is as follows:

Name: _____

Address: _____

_____

_____

Attention: _____

Email address: _____

Fax: _____

Phone: _____

MICROSOFT IRELAND OPERATIONS LTD.	**PUBLISHER:** _____
_____	_____
By (sign)	By (sign)
_____	_____
Name (Print)	Name (Print)
_____	_____
Title	Title
_____	_____
Date (Print mm/dd/yy)	Date (Print mm/dd/yy)

EXHIBIT 6

XBOX 360 HITS PROGRAMS ELECTION FORM

PLEASE COMPLETE THE BELOW INFORMATION, SIGN THE FORM, AND FAX IT TO MICROSOFT AT +1 (425) 708-2300 TO THE ATTENTION OF MICROSOFT LICENSING, GP (MSLI) AND YOUR ACCOUNT MANAGER.

NOTES:

- **THIS FORM MUST BE SUBMITTED BY A PUBLISHER AT LEAST [****].**
- **A SEPARATE FORM MUST BE SUBMITTED FOR EACH SALES TERRITORY IN WHICH THE PUBLISHER WISHES TO PUBLISH A SOFTWARE TITLE AS PART OF A HITS PROGRAM AND FOR EACH HITS PROGRAM.**

1) Publisher Name: _____

2) Xbox 360 Software Title Name: _____

3) XMID Number: _____

4) Hits Program (circle one)

Platinum Hits	Platinum Family Hits
Classic Hits	Classic Family Hits

5) Royalty Tier if Family Hits (select one; [****]):

[****]

6) Sales Territory for which Publisher wants to publish the Software Title as a Hit FPU (check one):

☐	North American Sales Territory	☐	Japan Sales Territory
☐	European Sales Territory	☐	Asian Sales Territory

7) Date of Commercial Release of Software Title in applicable Sales Territory: _____

8) Number of Standard FPUs manufactured to date for the Software Title in the applicable Sales Territory: _____

9) Projected Commercial Release date of Software Title in the applicable Sales Territory as part of Hits Program: _____

The undersigned represents that he/she has authority to submit this form on behalf of the above publisher, and that the information contained herein is true and accurate.

_____
By (sign)

_____
Name, Title (Print)

_____
E-Mail Address (for confirmation of receipt)

_____
Date (Print mm/dd/yy)

EXHIBIT 7

XBOX 360 LIVE AND PDLC INCENTIVE PROGRAM

1. Xbox 360 Live and PDLC Incentive Program

To encourage Publisher to support functionality for Xbox Live in its Xbox 360 Software Titles, to drive increased usage of Xbox Live via Xbox 360 and to increase support of Premium Downloadable Content, Publisher may qualify for certain payments based on the amount of Xbox Live Market Share (defined in Section 2.k. of this Exhibit 7 below) created by Publisher's Multiplayer Software Titles (defined in Section 2.c. of this Exhibit 7 below). Each Accounting Period (defined in Section 2.a. of this Exhibit 7 below), Microsoft will calculate Publisher's Xbox Live Market Share. If Publisher [****], then Microsoft will pay Publisher the applicable Incentive set forth in the table in Section 3 of this Exhibit 7 based on [****] in the applicable Accounting Period.

Notwithstanding anything herein to the contrary, use of or revenue derived from online games for which an end user pays a subscription separate from any account established for basic use of Xbox Live, are excluded from this Xbox 360 Live and PDLC Incentive Program.

2. Definitions

a. "**Accounting Period**" means [****], within the Term (defined in Section 5 below); provided that if the Effective Date of this Agreement or the expiration date of this program falls within such [****], then the applicable payment calculation set forth below shall be made for a partial Accounting Period, as appropriate.

b. **"[****] Unique User Market Share"** means [****]

c. **"Multiplayer Software Titles"** means a Software Title for Xbox 360 that supports real-time multiplayer game play.

d. **"[****] Unique Users"** means [****]

e. **"New Subscriber Market Share"** means [****]

f. **"New Subscriber"** means a Paying Subscriber who pays for an Xbox Live account for the first time. A New Subscriber is attributed to the first Multiplayer Software Title he or she plays, even if such play was during a free-trial period which was later converted into a paying subscription. Each Paying Subscriber can only be counted as a New Subscriber once, [****].

g. **"Paying Subscriber"** [****]

h. "**PDLC Revenue**" means [****]

i. "**PDLC Revenue Market Share**" means [****]

j. **"Subscription Revenue"** means [****]

k. **"Xbox Live Market Share"** [****]

3. Incentive Table

Publisher's **"Incentive"** shall be determined pursuant to the following table:

[****]

4. Example

[****]

[****]

[****]

[****]

[****]

[****]

[****]

[****]

5. Term

This Xbox 360 Live and PDLC Incentive Program will commence [****]. Microsoft reserves the right to change the Xbox Live Market Share upon written notice to Publisher, but no more frequently than [****].

6. Payments

In the event Publisher qualifies for a payment under this program during an Accounting Period, Microsoft shall furnish Publisher with a statement, together with payment for any amount shown thereby to be due to Publisher, within [****].

7. Modifications to Xbox 360 Live and PDLC Incentive Program

[****]

EXHIBIT 8

XBOX 360 HITS ROYALTY TIER MIGRATION FORM

PLEASE COMPLETE THE BELOW INFORMATION, SIGN THE FORM, AND FAX IT TO MICROSOFT AT +1 (425) 708-2300 TO THE ATTENTION OF MICROSOFT LICENSING, GP (MSLI) AND YOUR ACCOUNT MANAGER.

NOTES:

- **THIS FORM MUST BE SUBMITTED AT LEAST [****] PRIOR TO THE FIRST MANUFACTURING ORDER TO WHICH PUBLISHER DESIRES THE NEW BASE ROYALTY TO APPLY FOR EACH RESPECTIVE SALES TERRITORY.**
- **A HITS SOFTWARE TITLE MAY NOT CHANGE ROYALTIES TIERS UNTIL AFTER IT HAS BEEN IN THE HITS PROGRAM FOR AT LEAST [****].**
- **A SEPARATE FORM MUST BE SUBMITTED FOR EACH SALES TERRITORY IN WHICH PUBLISHER DESIRES TO CHANGE THE APPLICABLE BASE ROYALTY.**

1. Publisher Name: _____

2. Xbox 360 Software Title Name: _____

3. XMID Number: _____

4. Sales Territory (check one; [****]):

   ☐ North American Sales Territory
   ☐ Japan Sales Territory
   ☐ Asia Sales Territory

5. Date of First Commercial Release:

_____

7. Current royalty tier: [****]

8. Select New Royalty Tier: [****]

The undersigned represents that he/she has authority to submit this form on behalf of the above publisher, and that the information contained herein is true and accurate.

_____
By (sign)

_____
Name, Title (Print)

_____
E-Mail Address (for confirmation of receipt)

_____
Date (Print mm/dd/yy)

RESTRICTED STOCK AGREEMENT
PURSUANT TO THE
TAKE-TWO INTERACTIVE SOFTWARE, INC.
2009 STOCK INCENTIVE PLAN

THIS AGREEMENT (the "**Agreement**"), made as of the day of , 20 , by and between Take-Two Interactive Software, Inc.(the "**Company**") and (the "**Participant**").

W I T N E S S E T H:

WHEREAS, the Company has adopted the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan (the "**Plan**"), a copy of which has been delivered to the Participant, which is administered by the Compensation Committee (the "**Committee**") of the Company's Board of Directors; and

WHEREAS, pursuant to Section 8.1 of the Plan, the Committee may grant to Eligible Employees shares of the Company's common stock, par value $0.01 per share ("**Common Stock**"); and

WHEREAS, such shares of Common Stock granted to the Participant hereunder are to be subject to certain restrictions prior to the vesting thereof.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Grant of Shares.** Subject to the restrictions, terms and conditions of this Agreement, the Company granted to the Participant on , 20 (the "**Grant Date**") [ ] shares of duly authorized, validly issued, fully paid and non-assessable Common Stock (the "**Shares**"). If the Participant is a new hire, to the extent required by law, the Participant shall pay to the Company the par value ($0.01) for each Share awarded to the Participant simultaneously with the execution of this Agreement. Pursuant to Sections 2, 3(c) and 3(d) hereof, the Shares are subject to certain transfer restrictions and possible risk of forfeiture. While such restrictions are in effect, the Shares subject to such restrictions shall be referred to herein as "Restricted Stock."

2. **Restrictions on Transfer.** The Participant shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Restricted Stock, except as set forth in the Plan or this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the Restricted Stock in violation of the Plan or this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. **Restricted Stock.**

(a) **Retention of Certificates.** Promptly after the date of this Agreement, the Company shall issue stock certificates representing the Restricted Stock unless it elects to recognize such ownership through book entry or another similar method pursuant to Section 8 herein. The stock certificates shall be registered in the Participant's name and shall bear any legend required under the Plan or Section 4(a) of this Agreement. Unless held in book entry form, such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions thereon shall have lapsed. Upon the Company's request, the Participant shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Restricted Stock. If the Participant receives a stock dividend or extraordinary cash dividend on the Restricted Stock or the shares of Restricted Stock are split or the Participant receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Participant in respect of the Restricted Stock (collectively "RS Property"), the Participant will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of this Section 3(a), as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock."

(b) **Rights with Regard to Restricted Stock.** The Participant will have the right to vote the Restricted Stock, to receive and retain any dividends payable to holders of Shares of record on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock and stock dividends will be subject to the restrictions provided in Section 3(a)), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in the Plan, with the exceptions that: (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the Restriction Period shall have expired; (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the Restriction Period; (iii) no RS Property shall bear interest or be segregated in separate accounts during the Restriction Period; and (iv) the Participant may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the Restriction Period.

(c) **Vesting.**

(i) The Restricted Stock shall become vested and cease to be Restricted Stock, and accordingly, the restrictions contained in Sections 2, 3(a) and 3(b) shall no longer apply (but the Shares shall remain subject to Section 5).

TIME BASED VESTING: pursuant to the following schedule, which shall be cumulative; provided that the Participant has not had a Termination at any time prior to the applicable vesting date:

Vesting Date	Number of Shares

PERFORMANCE BASED VESTING: upon the Committee's determination and certification that the targets and Performance Goals listed on Exhibit A have been attained. If the targets and Performance Goal(s) listed on Exhibit A are not satisfied in accordance with this Section 3(c), the Restricted Stock awarded under this Agreement shall be forfeited. Notwithstanding anything herein to the contrary, the Participant must be employed by the Company or a Subsidiary at the time the targets and Performance Goal(s) are satisfied as specified on Exhibit A. The Participant acknowledges and agrees that the Performance Goal(s) provided on Exhibit A are confidential and shall not be disclosed or otherwise communicated to any other person.

TIME AND PERFORMANCE BASED VESTING: on the applicable vesting dates for the Tranches set forth below, which shall be cumulative, provided that (x) the Participant has not had a Termination at any time prior to the applicable vesting date and (y) the Committee has determined and certified that the applicable Performance Goal(s) listed on Exhibit A have been attained on or prior to the applicable vesting date of such Tranche:

Tranche	Vesting Date	Number of Shares
1		
2		
3		

Notwithstanding the foregoing, if the applicable Performance Goal(s) with respect to either Tranche 1 or Tranche 2 is not satisfied on or prior to the relevant vesting date, but the Performance Goal(s) with respect to such Tranche is attained on or prior to the vesting date of a subsequent Tranche, the Number of Shares in such Tranche shall vest and cease to be Restricted Stock on such subsequent vesting date. If the Number of Shares in a Tranche does not vest on or prior to the vesting date of Tranche 3, then the Number of Shares in such unvested Tranche(s) shall be forfeited in its entirety (together with any related RS Property), without compensation, other than repayment of any par value paid by the Participant for such Shares (if any). Notwithstanding anything herein to the contrary, the Participant must be employed by the Company or a Subsidiary at the time the targets and Performance Goal(s) are satisfied as specified on Exhibit A. The Participant acknowledges and agrees that the Performance Goal(s) provided on Exhibit A are confidential and shall not be disclosed or otherwise communicated to any other person.

(ii) There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date; provided that no Termination has occurred prior to such date.

(iii) Notwithstanding anything herein to the contrary, the Shares shall become vested at such earlier times, if any, as provided in the Plan or in a written employment agreement between the Company and the Participant that is in effect on the Grant Date and that is applicable to the Shares.

(iv) When any Shares of Restricted Stock become vested, the Company shall promptly issue and deliver, unless the Company is using a book entry or similar method pursuant to Section 8, in which case the Company shall upon the Participant's request promptly issue and deliver, to the Participant a new stock certificate registered in the name of the Participant for such Shares without the legend set forth in Section 4(a) hereof and deliver to the Participant such Shares and any related other RS Property (all of which is included in the term Restricted Stock), in each case free of all liens, claims and other encumbrances (other than those created by the Participant), subject to applicable withholding taxes.

(d) **Termination.** Unless otherwise provided in an employment agreement or other similar written agreement between the Participant and the Company or any of its Affiliates in effect on the date hereof, upon a Termination for any reason the Participant shall forfeit to the Company, without compensation, other than repayment of any par value paid by the Participant for such Shares (if any), any and all Restricted Stock (but no vested Shares) and RS Property.

(e) **Withholding.** The Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable federal, state and local or foreign taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Affiliates shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant, including, but not limited to, the right to withhold Shares otherwise deliverable to the Participant hereunder. In addition, any statutorily required withholding obligation may be satisfied, as determined in the Committee's sole discretion, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of Shares of Common Stock to the Company (including Shares issuable under this Agreement) equal to the statutorily required withholding obligation.

(f) **Section 83(b).** If the Participant properly elects (as permitted by Section 83(b) of the Code) within 30 days after the Grant Date of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of all or a portion of such Restricted Stock, the Participant shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to the applicable Restricted Stock. If the Participant shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock, as well as the rights set forth in Section 3(e) hereof. The Participant acknowledges that it is the

Participant's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if the Participant elects to utilize such election.

(g) **Delivery Delay.** The delivery of any certificate representing the Shares or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal or state law or of any regulations of any governmental authority or any national securities exchange.

4. **Legend.** All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(a) "The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Take-Two Interactive Software, Inc. (the "Company") 2009 Stock Incentive Plan (as the same may be amended or supplemented from time to time, the "Plan") and an agreement entered into between the registered owner and the Company evidencing the award under the Plan. Copies of such Plan and agreement are on file at the principal office of the Company."

(b) Any legend required to be placed thereon by applicable blue sky laws of any state.

Notwithstanding the foregoing, in no event shall the Company be obligated to issue a certificate representing the Restricted Stock prior to the vesting dates set forth above.

5. **Securities Representations.** The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant.

The Participant acknowledges, represents and warrants that:

(a) the Participant has been advised that the participant may be an "affiliate" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Act"), currently or at the time the Participant desires to sell the Shares following the vesting of the Restricted Stock, and in this connection the Company is relying in part on the Participant's representations set forth in this section.

(b) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a "re-offer prospectus") with regard to such Shares and the Company is under no obligation to register the Shares (or to file a "re-offer prospectus").

(c) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Act, the Participant understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

6. **No Obligation to Continue Employment**. This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Affiliates, will employ or retain, or continue to employ or retain, the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding, nor does it modify in any respect the Company's or an Affiliate's right to terminate or modify the Participant's employment or compensation.

7. **Power of Attorney.** The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

8. **Uncertificated Shares.** Notwithstanding anything else herein, to the extent permitted under applicable foreign, federal or state law, the Company may, issue the Restricted Stock in the form of uncertificated shares. Such uncertificated shares of Restricted Stock shall be credited to a book entry account maintained by the Company (or its designee) on behalf of the Participant. If thereafter certificates are issued with respect to the uncertificated shares of Restricted Stock, such issuance and delivery of certificates shall be in accordance with the applicable terms of this Agreement.

9. **Rights as a Stockholder.** The Participant shall have all rights of a stockholder with respect to the Restricted Stock, except with respect to the right to Transfer any shares of Restricted Stock during the Restriction Period or except as otherwise specifically provided for in this Agreement or the Plan.

10. **Provisions of Plan Control**. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this

Agreement and all applicable laws and regulations. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement and the Plan contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

11. **Notices.** Any notice or communication given hereunder (each a "**Notice**") shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set forth below:

If to the Company, to:

Take-Two Interactive Software, Inc.
622 Broadway
New York, New York 10012
Attention:
Facsimile:

If to the Participant, to the address for the Participant on file with the Company;

or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

12. Acceptance. As required by Section 8.2(b) of the Plan, the Participant shall forfeit the Restricted Stock if the Participant does not execute this Agreement within a period of 60 days from the date the Participant receives this Agreement (or such other period as the Committee shall provide). In the event that the Restricted Stock is not accepted within such time period, this Agreement shall be null and void *ab initio* and this award of Restricted Stock shall not be valid.

13. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

14. Consent to Jurisdiction. In the event of any dispute, controversy or claim between the Company or any Affiliate and the Participant in any way concerning, arising out of or relating to the Plan or this Agreement (a "**Dispute**"), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (a) agree and consent to the personal jurisdiction of the courts of the State of New York located in New York County and/or the

Federal courts of the United States of America located in the Southern District of New York (collectively, the "**Agreed Venue**") for resolution of any such Dispute, (b) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including any appeal, and (c) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York. The parties also hereby irrevocably (i) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (ii) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (iii) consent to service of process in any such suit, action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a Notice as provided in Section 11 hereof shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

15. Amendment. The Board or the Committee may, subject to the terms of the Plan, at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement and may also suspend or terminate this Agreement subject to the terms of the Plan. Except as otherwise provided in the Plan, no modification or waiver of any of the provisions of this Agreement shall be effective unless in writing by the party against whom it is sought to be enforced.

16. Counterparts. This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

17. Miscellaneous.

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

(c) Although the Company makes no guarantee with respect to the tax treatment of the Restricted Stock, the award of Restricted Stock pursuant to this Agreement is intended to be exempt from Section 409A of the Code. With respect to any dividends and other RS Property, however, this Agreement is intended to comply with the applicable requirements of

Section 409A of the Code relating to "short-term deferrals" thereunder, and shall be limited, construed and interpreted in a manner so as to comply therewith.

[Remainder of page intentionally left blank — signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: _____

Title: _____

PARTICIPANT

_____

[Name]

RESTRICTED STOCK AGREEMENT
PURSUANT TO THE
TAKE-TWO INTERACTIVE SOFTWARE, INC.
2009 STOCK INCENTIVE PLAN

THIS AGREEMENT (the "**Agreement**"), made as of the day of , 20 , by and between Take-Two Interactive Software, Inc.(the "**Company**") and (the "**Participant**").

W I T N E S S E T H:

WHEREAS, the Company has adopted the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan (the "**Plan**"), a copy of which has been delivered to the Participant, which is administered by the Compensation Committee (the "**Committee**") of the Company's Board of Directors (the "**Board**"); and

WHEREAS, pursuant to Section 8.1 of the Plan, the Committee may grant to Non-Employee Directors shares of the Company's common stock, par value $0.01 per share ("**Common Stock**"); and

WHEREAS, such shares of Common Stock granted to the Participant hereunder are to be subject to certain restrictions prior to the vesting thereof.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Grant of Shares.** Subject to the restrictions, terms and conditions of this Agreement, the Company granted to the Participant on , 20 (the "**Grant Date**") [ ] shares of duly authorized, validly issued, fully paid and non-assessable Common Stock (the "**Shares**"). If the Participant is a new director, to the extent required by law, the Participant shall pay to the Company the par value ($0.01) for each Share awarded to the Participant simultaneously with the execution of this Agreement. Pursuant to Sections 2, 3(c) and 3(d) hereof, the Shares are subject to certain transfer restrictions and possible risk of forfeiture. While such restrictions are in effect, the Shares subject to such restrictions shall be referred to herein as "Restricted Stock."

2. **Restrictions on Transfer.** The Participant shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Restricted Stock, except as set forth in the Plan or this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the Restricted Stock in violation of the Plan or this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. **Restricted Stock.**

(a) **Retention of Certificates.** Promptly after the date of this Agreement, the Company shall issue stock certificates representing the Restricted Stock unless it elects to recognize such ownership through book entry or another similar method pursuant to Section 8 herein. The stock certificates shall be registered in the Participant's name and shall bear any legend required under the Plan or Section 4(a) of this Agreement. Unless held in book entry form, such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions thereon shall have lapsed. Upon the Company's request, the Participant shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Restricted Stock. If the Participant receives a stock dividend or extraordinary cash dividend on the Restricted Stock or the shares of Restricted Stock are split or the Participant receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Participant in respect of the Restricted Stock (collectively "RS Property"), the Participant will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of this Section 3(a), as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock."

(b) **Rights with Regard to Restricted Stock.** The Participant will have the right to vote the Restricted Stock, to receive and retain any dividends payable to holders of Shares of record on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock and stock dividends will be subject to the restrictions provided in Section 3(a)), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in the Plan, with the exceptions that: (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the Restriction Period shall have expired; (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the Restriction Period; (iii) no RS Property shall bear interest or be segregated in separate accounts during the Restriction Period; and (iv) the Participant may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the Restriction Period.

(c) **Vesting.**

(i) The Restricted Stock shall become vested and cease to be Restricted Stock, and accordingly, the restrictions contained in Sections 2, 3(a) and 3(b) shall no longer apply (but the Shares shall remain subject to Section 5) pursuant to the following schedule, which shall be cumulative; provided that the Participant has not had a Termination at any time prior to the applicable vesting date:

Vesting Date	Number of Shares

(ii) There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date; provided that no Termination has occurred prior to such date.

(iii) In the event of a Change in Control or in the event that the Participant ceases to be a member of the Board for any of the following reasons: (x) the Participant runs for re-election as a director at an Annual Meeting of the Company's stockholders and is not re-elected or (y) the Participant is willing to stand for re-election at an Annual Meeting of the Company's stockholders and is not nominated by the Board to run for re-election, then all unvested Shares shall immediately vest upon the happening of any such events.

(iv) When any Shares of Restricted Stock become vested, the Company shall promptly issue and deliver, unless the Company is using a book entry or similar method pursuant to Section 8, in which case the Company shall upon the Participant's request promptly issue and deliver, to the Participant a new stock certificate registered in the name of the Participant for such Shares without the legend set forth in Section 4(a) hereof and deliver to the Participant such Shares and any related other RS Property (all of which is included in the term Restricted Stock), in each case free of all liens, claims and other encumbrances (other than those created by the Participant), subject to applicable withholding taxes.

(d) **Termination.** Except as set forth in Section 3(c)(iii) or unless otherwise provided in a written agreement between the Participant and the Company or any of its Affiliates in effect on the date hereof, upon a Termination for any reason the Participant shall forfeit to the Company, without compensation, other than repayment of any par value paid by the Participant for such Shares (if any), any and all Restricted Stock (but no vested Shares) and RS Property.

(e) **Withholding.** The Participant shall be solely responsible for all applicable foreign, federal, state, provincial and local taxes with respect to the Restricted Stock; provided, however, that at any time the Company is required to withhold any such taxes, the Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable federal, state and local or foreign taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Affiliates shall have the right to withhold such taxes from any amounts payable to the Participant, including, but not limited to, the right to withhold Shares otherwise deliverable to the Participant hereunder. In addition, any statutorily required withholding obligation may be satisfied, as determined in the Committee's sole discretion, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of Shares of Common Stock to the Company (including Shares issuable under this Agreement) equal to the statutorily required withholding obligation.

(f) **Section 83(b).** If the Participant properly elects (as permitted by Section 83(b) of the Code) within 30 days after the Grant Date of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of all or a portion of such Restricted Stock, the Participant shall pay to the Company or make arrangements

satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to the applicable Restricted Stock. If the Participant shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock, as well as the rights set forth in Section 3(e) hereof. The Participant acknowledges that it is the Participant's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if the Participant elects to utilize such election.

(g) **Delivery Delay.** The delivery of any certificate representing the Shares or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal or state law or of any regulations of any governmental authority or any national securities exchange.

4. **Legend.** All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(a) "The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Take-Two Interactive Software, Inc. (the "Company") 2009 Stock Incentive Plan (as the same may be amended or supplemented from time to time, the "Plan") and an agreement entered into between the registered owner and the Company evidencing the award under the Plan. Copies of such Plan and agreement are on file at the principal office of the Company."

(b) Any legend required to be placed thereon by applicable blue sky laws of any state.

Notwithstanding the foregoing, in no event shall the Company be obligated to issue a certificate representing the Restricted Stock prior to the vesting dates set forth above.

5. **Securities Representations.** The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant.

The Participant acknowledges, represents and warrants that:

(a) the Participant has been advised that the participant may be an "affiliate" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Act"), currently or at the time the Participant desires to sell the Shares following the vesting of the Restricted Stock, and in this connection the Company is relying in part on the Participant's representations set forth in this section.

(b) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a "re-offer prospectus") with regard to such Shares and the Company is under no obligation to register the Shares (or to file a "re-offer prospectus").

(c) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Act, the Participant understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

6. **No Obligation to Continue Service.** This Agreement is not an agreement of employment or consulting services. This Agreement does not guarantee that the Company or its Affiliates will retain, or continue to retain the Participant as a director or in any other capacity during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding, nor does it modify in any respect the Company or its Affiliate's right to terminate or modify the Participant's service or compensation.

7. **Power of Attorney.** The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

8. **Uncertificated Shares.** Notwithstanding anything else herein, to the extent permitted under applicable foreign, federal or state law, the Company may, issue the Restricted Stock in the form of uncertificated shares. Such uncertificated shares of Restricted Stock shall be credited to a book entry account maintained by the Company (or its designee) on behalf of the Participant. If thereafter certificates are issued with respect to the uncertificated shares of Restricted Stock, such issuance and delivery of certificates shall be in accordance with the applicable terms of this Agreement.

9. **Rights as a Stockholder.** The Participant shall have all rights of a stockholder with respect to the Restricted Stock, except with respect to the right to Transfer any shares of Restricted Stock during the Restriction Period or except as otherwise specifically provided for in this Agreement or the Plan.

10. **Provisions of Plan Control**. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement and the Plan contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

11. **Notices.** Any notice or communication given hereunder (each a "**Notice**") shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set forth below:

If to the Company, to:

Take-Two Interactive Software, Inc.
622 Broadway
New York, New York 10012
Attention:
Facsimile:

If to the Participant, to the address for the Participant on file with the Company;

or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

12. Acceptance. As required by Section 8.2(b) of the Plan, the Participant shall forfeit the Restricted Stock if the Participant does not execute this Agreement within a period of 60 days from the date the Participant receives this Agreement (or such other period as the Committee shall provide). In the event that the Restricted Stock is not accepted within such time period, this Agreement shall be null and void *ab initio* and this award of Restricted Stock shall not be valid.

13. Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by, and construed in accordance with, the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

14. Consent to Jurisdiction. In the event of any dispute, controversy or claim between the Company or any Affiliate and the Participant in any way concerning, arising out of or relating to the Plan or this Agreement (a "**Dispute**"), including without limitation any Dispute concerning, arising out of or relating to the interpretation, application or enforcement of the Plan or this Agreement, the parties hereby (a) agree and consent to the personal jurisdiction of the courts of the State of New York located in New York County and/or the Federal courts of the United States of America located in the Southern District of New York (collectively, the "**Agreed Venue**") for resolution of any such Dispute, (b) agree that those courts in the Agreed Venue, and only those courts, shall have exclusive jurisdiction to determine any Dispute, including any appeal, and (c) agree that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York. The parties also hereby irrevocably (i) submit to the jurisdiction of any competent court in the Agreed Venue (and of the appropriate appellate courts therefrom), (ii) to the fullest extent permitted by law, waive any and all defenses the parties may have on the grounds of lack of jurisdiction of any such court and any other objection that such parties may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court (including without limitation any defense that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum), and (iii) consent to service of process in any such suit, action or proceeding, anywhere in the world, whether within or without the jurisdiction of any such court, in any manner provided by applicable law. Without limiting the foregoing, each party agrees that service of process on such party pursuant to a Notice as provided in Section 11 hereof shall be deemed effective service of process on such party. Any action for enforcement or recognition of any judgment obtained in connection with a Dispute may enforced in any competent court in the Agreed Venue or in any other court of competent jurisdiction.

15. Amendment. The Board or the Committee may, subject to the terms of the Plan, at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement and may also suspend or terminate this Agreement subject to the terms of the Plan. Except as otherwise provided in the Plan, no modification or waiver of any of the provisions of this Agreement shall be effective unless in writing by the party against whom it is sought to be enforced.

16. Counterparts. This Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

17. Miscellaneous.

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

(c) Although the Company makes no guarantee with respect to the tax treatment of the Restricted Stock, the award of Restricted Stock pursuant to this Agreement is intended to be exempt from Section 409A of the Code. With respect to any dividends and other RS Property, however, this Agreement is intended to comply with the applicable requirements of Section 409A of the Code relating to "short-term deferrals" thereunder, and shall be limited, construed and interpreted in a manner so as to comply therewith.

[Remainder of page intentionally left blank — signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: _____

Title: _____

PARTICIPANT

_____

[Name]

Exhibit 10.4

EMPLOYMENT AGREEMENT

AGREEMENT entered into on March 16, 2009 between Take-Two Interactive Software, Inc., a Delaware corporation ("Take-Two" or the "Employer" or the "Company"), and Manuel Sousa (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer desires to employ the Employee as an Executive Vice President and Head of Human Resources, and to be assured of his services as such on the terms and conditions hereinafter set forth; and

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

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

1. Term. Employer hereby agrees to employ Employee, and Employee hereby agrees to serve Employer, for a term commencing March 23, 2009 (the "Effective Date") and ending October 31, 2012 (such period being herein referred to as the "Initial Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year"). After the Initial Term, this Agreement shall be renewable automatically for successive one-year periods (each such period being referred to as a "Renewal Term" and together with the Initial Term referred to as "the Term"), unless, at least sixty (60) days prior to the expiration of the Initial Term or any Renewal Term, either the Employee or the Employer give written notice that employment will not be renewed (as the case may be, a "Notice of Non-Renewal").

2. Employee Duties.

(a) During the Term, the Employee shall serve as an Executive Vice President and Head of Human Resources and have the duties and responsibilities customarily associated with such position in a company the size and nature of the Company. Employee shall report directly to the Company's Chief Executive Officer.

(b) The Employee shall devote substantially all of his business time, attention, knowledge and skills faithfully, diligently and to the best of his ability, in furtherance of the business and activities of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices in New York, although the Employee may be required to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

3. Compensation.

(a) The Employer shall pay the Employee an annual salary (the "Salary") at a rate of $360,000 per annum. The Salary shall be payable in equal, semi-monthly installments in accordance with the Company's normal payroll practices and procedures in effect from time-to-time for the payment of salaries to executive officers. During the Initial Term, the Salary shall be subject to annual review by the Compensation Committee of the Board of Directors of the Company (the "Committee") and may be increased from time-to-time at the discretion of the Committee.

(b) Employee is eligible to participate in Take-Two's corporate bonus program at a level commensurate with other senior executive officers of the Company. As part of that program, Employee will be eligible for a yearly cash bonus based on Take-Two's global, corporate EBITDA (based on a budgeted EBITDA ("Budget") determined by Take-Two and communicated to Employee within ninety (90) days following the commencement of each fiscal year). Any bonus payment earned for Fiscal Year 2009 shall be pro-rated based upon the Employee's length of service during Fiscal Year 2009. The amount of bonus earned, if any, shall be based on the Company's actual EBITDA performance as compared to its budgeted EBITDA performance as set forth below:

Actual EBITDA	Annual Bonus
Less than 75% of the Budget	No Bonus earned
75% - 100% of the Budget	* 10% - 50% of Salary
100% - 125% of the Budget	* 50% - 75% of Salary
Greater than 125% of the Budget	Capped at 75% of Salary

*The bonus amount in this range will be determined based on a proportional sliding scale.

Bonus payments, if earned, for any Fiscal Year during the Term shall be payable within 60 days following the end of such Fiscal Year; provided that Employee is employed by the Company on such date (subject to the provisions of Section 6(c) hereof).

(c) Subject to the stockholders of Take-Two approving Take-Two's 2009 Stock Incentive Plan (the "Stock Plan"), Take-Two's management will recommend to the Committee that it approve a grant of restricted common stock of the Company valued at $350,000 (the "Initial Shares) to Employee in accordance with the terms of Take-Two's long-term equity incentive compensation program (which currently determines the number of shares to be granted using the average closing price of the Company's common stock for the ten trading days immediately prior to the date of grant, rounded down to the next whole share). If the Stock Plan is approved by Take-Two's stockholders and the grant of the Initial Shares is approved by the Committee: (i) $175,000 worth of the Initial Shares shall be granted on the Company's first, regularly-scheduled grant date following its 2009 Annual Meeting of stockholders currently scheduled to occur on April 23, 2009 (the Company generally only grants stock on the fifth trading day following the filing of its quarterly and annual reports), vesting as to one-third of such shares on each of the first, second and third anniversaries of the date of grant; and (ii) the remaining $175,000 worth of the Shares shall be granted on the fifth trading day following the filing of the Company's Annual Report on Form 10K for Fiscal Year 2009, and shall vest over a period of three years following the date of the grant and shall also be subject to

the satisfaction of performance criteria (currently based on the Company's stock performance) in accordance with the Company's long-term equity incentive compensation program. The Initial Shares shall also be subject to the terms and conditions of the Stock Plan and the Company's equity grant letter then in effect, subject to and as modified by the provisions of Section 6(c) of this Agreement.

(d) Beginning with Fiscal Year 2010, Employee shall be eligible to participate in Take-Two's annual long-term equity incentive compensation program at a level commensurate with other senior executive officers of the Company. Within Employee's participation level, actual grant values will be determined by the Committee, in consultation with the Company's Chief Executive Officer, and shall take into consideration job performance and achievement of any defined goals and objectives. Any and all grants made to Employee will vest in accordance with the terms of Take-Two's annual long-term equity incentive compensation program for senior executive officers of the Company (currently 50% time vest over three years and 50% time and performance vest over three years). Nothing in this paragraph obligates the Company to continue its annual long-term equity incentive compensation program or establishes any obligation to Employee beyond participation in a plan, it if exists, at a level commensurate with other senior executive officers of the Company.

4. Benefits.

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

(b) During the Term, the Employee will be entitled to the number of paid holidays, personal days off, vacation days and sick leave days ("PTO days") in each calendar year as are determined by the Company from time to time (provided that in no event shall vacation time be fewer than five weeks per year). Such vacation may be taken in the Employee's discretion with the prior approval of the Employer, and at such time or times as are not inconsistent with the reasonable business needs of the Company. Such PTO days shall be accrued and calculated by calendar year, shall be pro-rated during the first partial year of employment to reflect time actually employed and shall not be carried over to a subsequent year unless permitted by Company policy.

5. Travel Expenses. All travel and other expenses incident to the rendering of services reasonably incurred on behalf of the Employer by the Employee during the Term shall be paid by the Employer in accordance with Take-Two's Travel and Entertainment Policy. If any such expenses are paid in the first instance by the Employee, the Employer shall reimburse him therefor on presentation of appropriate receipts for any such expenses. All travel and lodging arrangements shall be made in accordance with Employer's regular policies.

6. Termination. Notwithstanding the provisions of Section 1 hereof, the Employee's employment with the Employer may be earlier terminated as follows:

(a) By action taken by the Board or the Chief Executive Officer, the Employee may be discharged for Cause (as hereinafter defined), effective as of such time as the Board or the Chief Executive Officer shall determine. Upon discharge of the Employee pursuant to this Section 6(a), the Employer shall have no further obligation or duties to the Employee, except for payment of Salary through the effective date of termination and as provided in Section 8(g), and the Employee shall have no further obligations or duties to the Employer, except as provided in Section 7.

(b) In the event of (i) the death of the Employee or (ii) by action of the Board or the Chief Executive Officer and the inability of the Employee, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 180 consecutive days, during which 180 day period Salary and any other benefits hereunder shall not be suspended or diminished. Upon any termination of the Employee's employment under this Section 6(b), the Employer shall have no further obligations or duties to the Employee, except as provided in Section 8(g).

(c) In the event that Employee's employment with the Employer is terminated by action taken by the Company without Cause (other than in accordance with Section 6(b) above), then the Employer shall have no further obligation or duties to Employee, except for payment of the amounts described in this Section 6(c) and as provided in Section 8(g), and Employee shall have no further obligations or duties to the Employer, except as provided in Section 7. In the event of such termination, upon the Employee's executing a general release of claims against the Company within thirty (30) days of the termination date, the Employee shall be entitled to the following: (i) a lump sum payment, made within thirty (30) days of the execution date of the general release, equal to the sum of (x) the Employee's Salary at the rate then in effect and (y) all unpaid bonuses with respect to the last full fiscal year of Employee's employment with the Company, if any, that would have been paid but for such termination without Cause. In the event of such termination without Cause or upon expiration of the Term as a result of the delivery by the Company to the Employee of a Notice of Non-Renewal, all outstanding options and shares of restricted stock granted to the Employee which have not vested as of the date of such termination shall immediately vest and, as applicable, become immediately exercisable.

(d) Employee shall be eligible to participate in the Take-Two Interactive Software, Inc. Change in Control Employee Severance Plan as a Tier 1 employee.

(e) For purposes of this Agreement, Employee shall also be deemed to have been terminated by the Employer without Cause if Employee provides Employer with at least thirty (30) days prior written notice of Employee's intent to terminate employment, provided such notice is provided within a period not to exceed ninety (90) days (and the effective date of such termination does not exceed one-hundred twenty (120) days) from the initial existence of any of the following conditions: (i) a material breach of this Agreement by the Employer or a material diminution in Employee's authority, duties or responsibilities; or (ii) the Company requiring, without the written consent of Employee, that the principal place of the performance of his employment duties hereunder be located outside of a twenty (25) mile radius of New York, New York. Any such written notice provided by Employee shall specify the grounds for such termination and the Employer shall have thirty (30) days to cure such grounds.

(f) For purposes of this Agreement, the Company shall have "Cause" to terminate Employee's employment under this Agreement upon: (i) Employee's breach of this Agreement (including his continued failure to substantially perform his duties under this Agreement after receipt of notice from the Company requesting such performance); (ii) the criminal conviction of Employee by plea or after trial of having engaged in criminal misconduct (including embezzlement and fraud) which is demonstrably injurious to the Company, monetarily or otherwise; (iii) the conviction of Employee of a felony; (iv) gross negligence on the part of Employee affecting the Company; or (v) a material failure of Employee to adhere to the Company's written policies or to cooperate in any investigation or inquiry involving the Company. The Company shall give written notice to Employee of any proposed termination for Cause, which notice shall specify the grounds for the proposed termination, and Employee shall be given thirty (30) days to cure if the grounds arise under clauses (i) or (v) above.

7. Confidentiality; Noncompetition.

(a) The Employer and the Employee acknowledge that the services to be performed by the Employee under this Agreement are unique and extraordinary and, as a result of such employment, the Employee will be in possession of confidential information relating to the business practices of the Company. The term "confidential information" shall mean any and all information (oral and written) relating to the Company or any of its affiliates, or any of their respective activities, other than such information which can be shown by the Employee to be in the public domain (such information not being deemed to be in the public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this Section 7(a), including, but not limited to, information relating to: trade secrets, personnel lists, compensation of employees, financial information, research projects, services used, pricing, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. Notwithstanding the foregoing "confidential information" shall not include information that Employee can demonstrate was known to him prior to his employment with the Company. The Employee agrees that he will not, during or after his termination or expiration of employment hereunder, directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any confidential information without the prior written consent of the Employer. Anything herein to the contrary notwithstanding, the provisions of this Section 7(a) shall not apply: (i) when disclosure is required by law or by any court, arbitrator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Employee to disclose or make accessible any information; (ii) with respect to any other litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement; or (iii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Employee's violation of this Section.

(b) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following the termination of such employment, directly or indirectly, within any county (or adjacent county) in any State within the United States or territory outside the United States in which the Company is engaged in business during the period of the Employee's employment or on the date of termination of the Employee's employment, engage, have an interest in or render any services to any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) competitive with the Company's business activities.

(c) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following such employment, directly or indirectly solicit any of the Company's customers, or persons listed on the personnel lists of the Company. Except as required by law or legal process, at no time during the Term, or thereafter shall the Employee, directly or indirectly, disparage the commercial, business or financial reputation of the Company.

(d) For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs 7(b) and (c) above shall serve as a prohibition against him, during the period referenced therein, directly or indirectly, hiring, offering to hire, enticing, soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee or customer who has been previously contacted by either a representative of the Company, including the Employee (but only those persons or entities that had a relationship with the Company during the time of the Employee's employment by the Company, or at the termination of his employment), to discontinue or alter his, her or its relationship with the Company.

(e) Upon the termination of the Employee's employment for any reason whatsoever, all Company property and equipments, as well as all documents, records, notebooks, equipment, employee lists, price lists, specifications, programs, customer and prospective customer lists and other materials which refer or relate to any aspect of the business of the Company which are in the possession of the Employee including all copies thereof, shall be immediately returned to the Company. Anything to the contrary notwithstanding, nothing in this Section 7(e) shall prevent the Employee from retaining a home computer and security system, papers and other materials of a personal nature, including personal diaries, calendars and Rolodexes, information relating to the Employee's compensation or relating to reimbursement of expenses, information that the Employee reasonably believe may be needed for tax purposes, and copies of plans, programs and agreements relating to the Employee's employment.

(f) The products and proceeds of Employee's services hereunder that Employee may acquire, obtain, develop or create during the Term that relate to the Company's business, or that are otherwise made at the direction of the Company or with the use of the Company's or its affiliates' facilities or materials, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, packages, programs and other intellectual properties (collectively, "Works"), shall be considered a *"work made for hire,"* as that term is defined under the United States Copyright Act, and Employee shall be considered an employee for hire of the Company, and all rights in and to the Works, including the copyright thereto, shall be the sole and exclusive property of the Company, as the sole author and owner thereof, and the copyright thereto may be registered by the Company in its own name. In the event that any part of the Works shall be determined not to be a work made for hire or shall be determined not to be owned by the Company, Employee hereby irrevocably assigns and transfers to the Company, its successors and assigns, the following: (a) the entire right, title and interest in and to the copyrights, trademarks and other rights in any such Work and any rights in and to any works based upon, derived from, or incorporating any such Work ("Derivative Work"); (b) the exclusive right to obtain, register and renew the copyrights or copyright protection in any such Work or Derivative Work; (c) all income, royalties, damages, claims and payments now or hereafter due or payable with respect to any such Work and Derivative Work; and (d) all causes

of action in law or equity, past and future, for infringements or violation of any of the rights in any such Work or Derivative Work, and any recoveries resulting therefrom. Employee also hereby waives in writing any moral or other rights that he has under state or federal laws, or under the laws of any foreign jurisdiction, which would give him any rights to constrain or prevent the use of any Work or Derivative Work, or which would entitle him to receive additional compensation from the Company. Employee shall execute all documents, including without limitation copyright assignments and applications and waivers of moral rights, and perform all acts that the Company may request, in order to assist the Company in perfecting its rights in and to any Work and Derivative Work anywhere in the world. Employee hereby appoints the officers of the Company as Employee's attorney-in-fact to execute documents on behalf of Employee for this limited purpose

(g) The parties hereto hereby acknowledge and agree that (i) the Company may be irreparably injured in the event of a breach by the Employee of any of his obligations under this Section 7, (ii) monetary damages may not be an adequate remedy for any such breach, and (iii) the Company shall be entitled to seek injunctive relief, in addition to any other remedy which it may have, in the event of any such breach.

(h) The parties hereto hereby acknowledge that, in addition to any other remedies the Company may have under Section 7(g) hereof, the Company may have the right and remedy to require the Employee to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Employee as the result of any transactions constituting a breach of any of the provisions of Section 7, and the Employee hereby agrees to account for any pay over such Benefits to the Company.

(i) Each of the rights and remedies enumerated in Section 7(g) and 7(h) shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(j) It is the intent of the parties hereto that the covenants contained in this Section 7 shall be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought (the Employee hereby acknowledging that said restrictions are reasonably necessary for the protection of the Company). Accordingly, it is hereby agreed that if any of the provisions of this Section 7 shall be adjudicated to be invalid or unenforceable for any reason whatsoever, said provision shall be (only with respect to the operation thereof in the particular jurisdiction in which such adjudication is made) construed by limiting and reducing it so as to be enforceable to the extent permissible, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of said provision in any other jurisdiction.

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

(a) Notices. All notices relating to this Agreement shall be in writing and shall be either personally delivered, sent by facsimile (receipt confirmed) or nationally recognized overnight carrier or mailed by certified mail, return receipt requested, to be delivered at such address as is indicated below, or at such other address or to the attention of such other

person as the recipient has specified by prior written notice to the sending party. Notice shall be effective when so personally delivered, one business day after being sent by telecopy or five days after being mailed.

If to the Employer:

Take-Two Interactive Software, Inc.
622 Broadway
New York, New York 10012
Attention: Chief Executive Officer

If to the Employee:

To the Employee's address on the books and records of the Company.

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Employee agrees to and hereby does submit to jurisdiction before any state or federal court of record in New York County.

(e) Warranty. Employee hereby warrants and represents as follows:

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

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

(iii) Employee will not disclose any trade secrets relating to the business conducted by any previous employer and agrees to indemnify and hold Employer harmless for any liability arising out of Employee's use of any such trade secrets.

(f) Severability. In the event that any term or condition in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any

other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

(g) Indemnification. The Employee shall be entitled to the benefits of all provisions of the Certificate of Incorporation and Bylaws of the Company, each as amended, that provide for indemnification of officers and directors of the Company. In addition, without limiting the indemnification provisions of the Certificate of Incorporation or Bylaws, to the fullest extent permitted by law, the Company shall indemnify and save and hold harmless the Employee from and against, and pay or reimburse, any and all claims, demands, liabilities, costs and expenses, including judgments, fines or amounts paid on account thereof (whether in settlement or otherwise), and reasonable expenses, including attorneys' fees actually and reasonably incurred (including, but not limited to, investigating, preparing, pursuing or defending any action, suit, investigation, proceeding, claim or liability if the Employee is made or threatened to be made a party to or witness in any action, suit, investigation or proceeding, or if a claim or liability is asserted or threatened to be asserted against Employee (whether or not in the right of the Company), by reason of the fact that he was or is a director, officer or employee, or acted in such capacity on behalf of the Company, or the rendering of services by the Employee pursuant to this Agreement, whether or not the same shall proceed to judgment or be settled or otherwise brought to a conclusion (except only if and to the extent that such amounts shall be finally adjudged to have been caused by Employee's willful misconduct or gross negligence). Upon the Employee's request, the Company will advance any reasonable expenses or costs, subject to the Employee undertaking to repay any such advances in the event there is an unappealable final determination that Employee is not entitled to indemnification for such expenses. Any payments owed by the Company to the Employee pursuant to this Section shall be paid within ninety (90) days of the Employee's notifying the Company of the expense, which notice from the Employee shall be made within 30 days of the accrual of the expense. Employee shall be entitled to indemnification under this Section regardless of any subsequent amendment of the Certificate of Incorporation or of the Bylaws of the Company. Further, Employee shall be entitled to be covered by any directors' and officers' liability insurance policies which the Company maintains for the benefit of its directors and officers, subject to the limitations of such policies. This provision shall survive the expiration or termination of this Agreement.

(h) Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended and the regulations and guidance promulgated thereunder (collectively "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If any payments hereunder are determined to be "nonqualified deferred compensation" under Section 409A, then such payments shall be made in compliance with the 6-month delay requirement of Section 409A, to the extent such requirement is applicable.

(i) Withholding. The Company may withhold from any and all amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(j) Execution in Counterparts. This Agreement may be executed by the parties in one or more counterparts, each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and shall become effective

when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto.

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ben Feder
Ben Feder
Chief Executive Officer

/s/ Manuel Sousa
Manuel Sousa

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Section 302 Certification

I, Ben Feder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2009 of Take-Two Interactive Software, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 5, 2009 /s/ BEN FEDER

Ben Feder
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Section 302 Certification

I, Lainie Goldstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2009 of Take-Two Interactive Software, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 5, 2009 /s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial Officer

QuickLinks

Exhibit 31.2

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Take-Two Interactive Software, Inc. (the "Company") on Form 10-Q for the period ended April 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ben Feder, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1)

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934: and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 5, 2009 /s/ BEN FEDER

Ben Feder
Chief Executive
Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Take-Two Interactive Software, Inc. (the "Company") on Form 10-Q for the period ended April 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lainie Goldstein, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1)

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934: and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 5, 2009 /s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial Officer