

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE TAKE-TWO INTERACTIVE SOFTWARE, INC.
SECURITIES LITIGATION

MASTER FILE NO.
01 Civ. 9919 (DLC)

This Document Relates to:
All Actions

**NOTICE OF PENDENCY AND SETTLEMENT OF
CLASS ACTION, HEARING ON PROPOSED SETTLEMENT AND
ATTORNEYS' FEE PETITION AND RIGHT TO SHARE IN SETTLEMENT FUND**

TO: ALL PERSONS WHO PURCHASED OR ACQUIRED THE SECURITIES OF TAKE-TWO INTERACTIVE SOFTWARE, INC. ("TAKE-TWO") DURING THE PERIOD FEBRUARY 24, 2000 AND DECEMBER 17, 2001, INCLUSIVE, AND WHO SUFFERED DAMAGES THEREBY (THE "CLASS"), PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM POSTMARKED ON OR BEFORE JANUARY 2, 2003.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York (the "Court"). The purpose of this Notice is to inform you of the proposed settlement of this class action litigation (the "Action") and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed settlement (the "Settlement"). This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement and the Action.

The proposed Settlement creates a fund in the amount of \$7,500,000 in cash (the "Settlement Fund") and will include interest that accrues on the fund prior to distribution. Based on Plaintiffs' Lead Counsel's estimate of the number of shares entitled to participate in the Settlement and the anticipated number of claims to be submitted by class members, the average distribution per share for common stock would be approximately \$0.82, and the average distribution for options would be approximately \$0.13 per option share, before deduction of Court-approved fees and expenses. However, your actual recovery from this fund may be greater or less depending on a number of variables including your actual loss based on the price of the Take-Two securities you purchased or acquired during the Class Period, the number of shares or call options you purchased or acquired, the number of put options you sold, the timing of such purchases, acquisition, or sales, whether you sold any of the Take-Two securities you purchased or acquired during the Class Period, the price you received upon the sale of your Take-Two securities, the number of claimants, and the expense of administering the claims process.

As discussed below (see Point III), Plaintiffs allege that the price of Take-Two securities was artificially inflated during the Class Period because the Company issued materially false and misleading information to the market about its financial results for each quarter and full year of fiscal 2000, ended October 31, 2000, and each of the first three quarters of fiscal 2001, ended January 31, 2001, April 30, 2001 and July 31, 2001, respectively. Plaintiffs maintain that Defendants materially misrepresented Take-Two's financial results and performance by, among other things, improperly recognizing revenue for products shipped to distributors: (a) where the distributors did not have a binding commitment to pay for the products, in direct contravention of GAAP, and (b) where the distributors later returned the products that were repurchased by the Company. Plaintiffs allege that the improper accounting practices inflated Take-Two's reported sales and earnings, and allowed Defendants to falsely report record financial results and growth for the Company during the Class Period. On December 14, 2001, Take-Two's common stock fell 31%, falling from \$15.05 per share to \$10.33 per share, as rumors of a possible restatement of the Company's financial results began circulating among securities analysts. On December 17, 2001, Take-Two announced that it would restate its financial results for fiscal year 2000 and the first three quarters of fiscal year 2001.

Plaintiffs and Defendants do not agree on the average amount of damages that would be recoverable if Plaintiffs were to have prevailed on each claim asserted. The issues on which the Parties disagree include: (1) the appropriate economic model for determining the amounts by which Take-Two securities were allegedly artificially inflated (if at all) during the Class Period; (2) the effect of various market forces influencing the trading price of Take-Two securities at various times during the Class Period; (3) the extent to which external factors, such as general market conditions, influenced the trading price of Take-Two securities at various times during the Class Period; (4) the extent to which the various matters that Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Take-Two securities at various times during the Class Period; and (5) whether the statements made were false, material or otherwise actionable under the federal securities laws.

Plaintiffs' Lead Counsel believes that the proposed Settlement is a good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that Plaintiffs would not have prevailed on any of their claims, in which case the Class would receive nothing. For example, Plaintiffs faced the possibility that all or many of the claims in this case could have been dismissed upon a motion to dismiss, upon a motion for summary judgment, after trial, or appeal. In addition, the amount of damages recoverable by the Class was and is challenged by Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Action gone to trial, Defendants intended to assert that all or most of the losses of Class Members were caused by non-actionable market factors.

Plaintiffs' Counsel have not received any payment for their services in prosecuting the Action on behalf of Plaintiffs and the members of the Class, nor have they been reimbursed for their out-of-pocket expenditures. If the Settlement is approved by the Court, counsel for the Plaintiffs will apply to the Court for attorneys' fees not to exceed 30% of the Settlement Fund, or up to \$2,250,000, and reimbursement of out-of-pocket expenses (including the costs of providing notice to Class) not to exceed \$275,000, to be paid from the Settlement Fund with applicable interest. If the amount requested is approved by the Court, the average cost per common stock share would be approximately \$0.28 and the average cost per option share would be approximately \$0.04. The average cost per share could vary depending on the number of shares for which claims are filed.

This Notice is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in this Action or the fairness or adequacy of the proposed Settlement.

For further information regarding this settlement you may contact: Timothy J. MacFall, Esq., Bernstein Liebhard & Lifshitz, LLP, 10 East 40th Street, 22nd Fl. New York, New York 10016, Telephone: (212) 779-1414. Please do not call Take-Two Interactive Software, Inc., or any representative of Take-Two Interactive Software, Inc.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on October 4, 2002 at 3:00 p.m., before the Honorable Denise Cote, United States District Judge, at the Daniel Patrick Moynihan United States Courthouse, Southern District of New York, Courtroom 11B, 500 Pearl Street, New York, New York (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement consisting of \$7,500,000 in cash, plus accrued interest should be approved as fair, just, reasonable and adequate to each of the Parties; (2) whether the proposed plan to distribute the Settlement proceeds (the "Plan of Allocation") is fair, just, reasonable, and adequate; (3) whether Plaintiffs and Plaintiffs' Counsel have adequately represented the Class; (4) whether the application by Plaintiffs' Counsel for an award of attorneys' fees and expenses should be approved; and (5) whether the Action should be dismissed with prejudice. The Court may adjourn or continue the Settlement Hearing without further notice to the Class.

II. DEFINITIONS USED IN THIS NOTICE

- Administrator.
- (a) "Authorized Claimant" means a Class member who submits a timely and valid Claim and Release form to the Claims Administrator.
 - (b) "Claims Administrator" means the firm of The Garden City Group which shall administer the Settlement.
 - (c) "Class" and "Class members" mean, for the purposes of the Settlement only, all persons who purchased or otherwise acquired Take-Two Interactive Software, Inc. ("Take-Two") securities between February 24, 2000 and December 17, 2001, inclusive, and who suffered damages thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, members of their immediate families and representatives, heirs, successors or assigns, and any entity in which defendants have a controlling interest. Also excluded from the Class are any putative Class members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth below.
 - (d) "Class Period" means, for the purposes of the Stipulation (as defined below) only, the period between February 24, 2000 and December 17, 2001, inclusive.
 - (e) "Defendants" and "Defendant" mean Take-Two and the Individual Defendants and each of them.
 - (f) "Defendants' Counsel" means the law firms of Blank Rome Tenzer Greenblatt, LLP for Defendants Take-Two, Ryan A. Brant, Kelly G. Sumner, and Paul Eibeler; Swidler Berlin Shereff Friedman, LLP for Defendant Larry Muller; and Crowell & Moring, LLP for Defendant James H. David, Jr.
 - (g) "Effective Date of Settlement" or "Effective Date" means the date upon which the Settlement shall become effective, as set forth in the Stipulation.
 - (h) "Notice" means this Notice of Pendency of Class Action, Hearing On Proposed Settlement and Attorneys' Fee Petition and Right to Share in Settlement Fund.
 - (i) "Order and Final Judgment" means the proposed order to be entered approving the Settlement substantially in the form attached to the Stipulation as Exhibit B.
 - (j) "Plaintiffs' Counsel" means Plaintiff's Lead Counsel and all of the other attorneys representing Plaintiffs in the Action.
 - (k) "Plaintiffs' Lead Counsel" means the law firm of Bernstein Liebhard & Lifshitz, LLP ("Bernstein Liebhard").
 - (l) "Preliminary Approval Order" means the proposed order preliminarily approving the Settlement and directing notice thereof to the Class.
 - (m) "Proof of Claim" means the Proof of Claim and Release form substantially in the form attached as Exhibit A-2 to the Stipulation.
 - (n) "Released Claims" means any and all claims, rights, demands, causes of actions, suits, matters, and issues, whether known or unknown, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including Unknown Claims (defined below), that have been, might have been, or could be asserted at any time against any Defendant (and any Defendant's former and present parents, subsidiaries, affiliates, shareholders, directors, officers, employees, agents, representatives, accountants, auditors, attorneys, insurers, investment bankers, heirs, executors, administrators, beneficiaries, predecessors, successors and assigns) by any member of the Class, in any capacity, in the Action or in any court of competent jurisdiction, which arise out of or relate in any way to any of the following: (i) the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, referred to or that could have been asserted in the Complaint; (ii) any alleged misrepresentation or omission occurring during the Class Period concerning or relating to the financial condition, results of operations, financial statements, press releases, public filings, or other public financial disclosures of Take-Two; (iii) any purchase, sale or other disposition of ownership of Take-Two securities by Defendants; and/or (iv) the conduct of the business of Take-Two with regard to any of the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, referred to or that could have been asserted in the Complaint; provided, however, Released Claims shall not include any claim arising out of the violation or breach of the Stipulation.
 - (o) "Released Parties" means Defendants and their respective present and former parents, subsidiaries and affiliates (including, without limitation, Take-Two and its subsidiaries) and their respective present and former officers, directors, employees, agents, representatives, attorneys, advisors, investment bankers, auditors and accountants, and the predecessors, heirs, successors, executors, administrators, beneficiaries, and assigns of any of them, and any person or entity in which any of the foregoing has or had a controlling interest or which is or was related to or affiliated with any of the foregoing.
 - (p) "Settled Defendants' Claims" means all claims of every nature and description, known or unknown, that have been or could have been asserted in the Action or any forum by the Defendants or any of them or the successors and assigns of any of them against any of the Plaintiffs, Lead Plaintiff, Class members and their legal representatives, heirs, successors or assigns, and/or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action; provided, however, Settled Defendants' Claims shall not include any claim arising out of the violation or breach of the Stipulation.
 - (q) "Settlement" means the settlement contemplated by the Stipulation.

(r) "Stipulation" means the Stipulation and Agreement of Settlement, dated June 5, 2002, and filed with the Court on June 5, 2002, in connection with the Action.

(s) "Unknown Claims" means any and all Released Claims that any Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Settled Defendants' Claims that any Settling Defendant does not know or suspect to exist in his, her or its favor, which if known by him, her or it, might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Settled Defendants' Claims, the parties stipulate and agree that upon the Effective Date, Plaintiffs and Defendants shall expressly, and each Class Member shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Plaintiffs and Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims and Settled Defendants' Claims was separately bargained for and was a key element of the Settlement.

III. THE ACTION

On and after December 19, 2001, thirteen actions were filed in the United States District Court for the Southern District of New York (the "Court") as securities class actions on behalf of persons who purchased or acquired the securities of Take-Two between February 24, 2000 and December 17, 2001, inclusive.

By Order dated March 22, 2002, under the caption above, these actions were consolidated for all purposes (hereinafter referred to as the "Action"). In an Order dated March 22, 2002, the Court appointed Gershon Bassman as Lead Plaintiff, pursuant to Section 21D(a)(3)(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), 15 U.S.C. § 78n-4(3)(B), and appointed his counsel, Bernstein Liebhard, as Lead Counsel in the Action.

The operative complaint is the Consolidated Amended Class Action Complaint filed in the Action on April 12, 2002 (the "Complaint"). The Complaint generally alleges, among other things, that Defendants issued materially false and misleading public filings, press releases, and other statements regarding Take-Two's financial condition during the Class Period in violation of Sections 10(b) and 20(a) of the Exchange Act, as amended, and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5. Specifically, the Complaint alleges that during the Class Period, Defendants knew, or recklessly disregarded, that the Company's publicly reported earnings were inflated by, *inter alia*, the improper recognition of revenues for software shipped to third-party distributors that was subsequently returned and/or repurchased by Take-Two. In addition, it is alleged that after the Securities and Exchange Commission (the "SEC") launched an informal, undisclosed investigation into Take-Two's accounting practices, the Individual Defendant's engaged in massive insider selling based upon their possession of non-public information concerning the Company's illicit revenue recognition practices and the SEC investigation. However, plaintiffs did not assert a claim under Section 20A of the Exchange Act for illegal insider trading.

On December 14, 2001, Take-Two's common stock declined 31%, falling from \$15.05 per share to \$10.33 per share, as rumors of a possible restatement of the Company's financial results began circulating among securities analysts. On December 17, 2001, Take-Two announced that it would restate its financial results for fiscal year 2000 and the first three quarters of fiscal year 2001.

On February 13, 2002, Take-Two announced the particulars of the restatement. In the restatement, Take-Two eliminated about \$15.4 million of net sales in fiscal 2000 it had made to independent third-party distributors and \$8.7 million in related costs of sales, which were improperly recognized as revenue and later returned or repurchased by the Company. For fiscal year 2000, the restatement reduced net sales by \$23 million and decreased net income by \$18.58 million. For the first three quarters of fiscal 2001, the restatement reduced net sales by \$6.7 million and increased net income by \$2.7 million.

The February 13, 2002 press release revealed that "The Securities and Exchange Commission has issued a formal order of investigation into, among other things, certain accounting matters relating to the Company's financial statements, periodic reporting and internal accounting control provisions."

Following the filing of the Complaint, Plaintiffs and Defendants engaged in settlement discussions, culminating in an agreement in principle to settle the Action subject to confirmation of the fairness of the terms of the proposed Settlement by Plaintiffs' Lead Counsel. The terms of the proposed Settlement were memorialized in a Memorandum of Understanding, dated May 23, 2001. Pursuant to Plaintiffs' Lead Counsel's requests, Defendants produced tens of thousands of pages of documents that were reviewed by Plaintiffs' Lead Counsel. In addition, Plaintiffs' Lead Counsel conducted an interview with the counsel specially retained by Take-Two to investigate the Company's revenue recognition practices and the specific transactions at issue in the Action, as well as make recommendations regarding changes in Take-Two's accounting procedures. In addition, Plaintiffs' Lead Counsel conducted an interview with Defendant Ryan A. Brant who, at all times relevant to the Action, was a director of the Company, and the Chief Executive Officer of Take-Two until February 26, 2001, when he was appointed Chairman of the Board of Directors.

IV. CLAIMS OF THE PLAINTIFFS AND BENEFITS OF SETTLEMENT

Plaintiffs believe that the claims asserted in the Action have merit. However, Plaintiffs and their counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against the Defendants through trial and through appeals. Plaintiffs and their counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex litigation such as the Action, as well as the difficulties and delays inherent in such litigation. Plaintiffs and their counsel also are mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Action, as well as the limited damages recoverable if Plaintiffs were successful. Plaintiffs and their counsel believe that the proposed Settlement confers substantial benefits upon the Class. Based on their evaluation, Plaintiffs and their counsel have determined that the Settlement is in the best interests of Plaintiffs and the Class.

V. DEFENDANTS' DENIAL OF LIABILITY

Defendants deny liability in the Action arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Defendants also deny, *inter alia*, the allegations that the Plaintiffs or the Class members have suffered damages, that the price of Take-Two securities was artificially inflated by the alleged misrepresentations, non-disclosures or otherwise, or that the Plaintiffs or the Class members were harmed by the conduct alleged in the Action.

Nonetheless, Defendants have concluded that further conduct of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Action. Defendants have, therefore, determined that it is desirable and beneficial that the Action be settled in the manner and upon the terms and conditions set forth in the Stipulation.

VI. TERMS OF THE PROPOSED SETTLEMENT

The principal amount of \$7,500,000 (plus any accrued interest as provided below) shall constitute the Settlement Fund. On or about May 30, 2002, Take-Two caused one hundred thousand dollars (\$100,000) in cash to be made available to Plaintiffs' Lead Counsel to be used initially for purposes of defraying the actual cost of class notice and administrative expenses in connection with providing Class notice. In the event the Court does not approve the Settlement or the Settlement is otherwise terminated, any amounts so advanced that have not actually been expended or incurred for purposes of defraying the actual cost of Class notice and administrative expenses in connection with the Settlement shall be returned to Take-Two. If the Settlement is approved by the Court, the remainder of this \$100,000, after the costs of notice and administration are paid, shall be kept as part of the Settlement Fund until dispersed in accordance with the terms of the Settlement, subject to Court approval.

Within thirty (30) days after the Court enters an Order granting preliminary approval of the Settlement, Take-Two shall cause to be deposited into the Settlement Fund, seven million four hundred thousand dollars (\$7,400,000) in cash. All claims of the Class, all fees and expenses of counsel to the Class, and experts, consultants, and agents, and all administrative or other approval expenses of the Settlement, including taxes, if any, shall be paid from the Settlement Fund. Class members shall look solely to the Settlement Fund for settlement and satisfaction of any and all claims against the Defendants that are released under the Settlement. Except as expressly provided in the Stipulation or by Order of the Court, no Class member shall have any interest in the Settlement Fund or any portions thereof.

The Settlement Fund shall be deposited into an interest-bearing escrow account (the "Account") designated by Plaintiffs' Lead Counsel, which shall be maintained on behalf of Plaintiffs and the Class by Plaintiffs' Lead Counsel as escrow agent. All interest earned on funds in the Account shall become part of the Settlement Fund.

A portion of the Settlement Fund, net of any taxes, will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to counsel for Plaintiffs as attorneys' fees and for reimbursement of out-of-pocket expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proofs of Claim.

VII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to settlement Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants") under the Plan of Allocation described below.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The determination of the price paid per share and the price received per share, shall be exclusive of all commissions, taxes, fees, and charges.

For purposes of the Plan of Allocation the terms "sale" and "sold" mean the actual sale of Take-Two securities on a national securities exchange.

For Class members who made multiple purchases during the Class Period, the earliest subsequent sale shall be matched with the earliest purchase and chronologically thereafter for purposes of the claim calculations.

A recognized loss for purposes of claim determinations will be calculated as follows:

1. For shares of Take-Two common stock purchased between February 24, 2000 and December 17, 2001, inclusive, who held through March 16, 2002, the recognized loss is the share price paid upon purchase of that stock less \$18.13 per share.
2. For shares of Take-Two common stock purchased between February 24, 2000 and December 17, 2001, inclusive, and sold between December 14, 2001 and March 16, 2002, the recognized loss will be as follows:
 - (a) for those who sold on December 14, 2001: the share price paid upon the purchase of the stock less the share price received upon the sale of that stock;
 - (b) for those who sold between December 17, 2001 and March 16, 2002: the share price paid upon the purchase of the stock less the average of the daily closing price per share of Take-Two common stock during the period beginning on December 17, 2001 and ending on the date of sale.
3. For call options, the options purchased will be converted into an equivalent number of shares by applying the Black-Scholes formula with appropriate conversion parameters established by the economic damage expert retained by Lead Plaintiff. For purposes of the Plan of Allocation, it will be assumed that the equivalent number of shares were purchased at the average of the high and low prices for Take-Two stock on the date of purchase and:
 - (a) for those who sold on December 14, 2001: sold at the average of the high and low share prices on the date of sale;
 - (b) for those who sold between December 17, 2001 and March 16, 2002: the average of the daily closing price per share of Take-Two common stock during the period beginning on December 17, 2001 and ending on the date of sale.

Recognized loss will then be calculated in the same manner as set forth above with respect to shares of Take-Two common stock. Purchasers of put options will have no recognized loss as a result of such purchases.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class member on equitable grounds.

VIII. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT

On July 18, 2001, the Court certified a Class, for settlement purposes only. The Class is defined above.

IX. PARTICIPATION IN THE CLASS

If you fall within the definition of the Class, you will remain a Class member unless you elect to be excluded from the Class. If you do not request to be excluded from the Class, you will be bound by any judgment entered with respect to the Settlement in the Action whether or not you file a Proof of Claim.

If you wish to remain a member of the Class, you need do nothing (other than timely file a Proof of Claim if you wish to participate in the distribution of the Net Settlement Fund). Your interests will be represented by Plaintiffs' Lead Counsel. If you choose, you may enter an appearance individually or through your own counsel at your own expense.

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim must be postmarked on or before January 2, 2003, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

X. EXCLUSION FROM THE CLASS

You may request to be excluded from the Class. To do so, you must mail a written request stating that you wish to be excluded from the Class to:

Take-Two Interactive Software, Inc., Securities Litigation
c/o The Garden City Group, Inc
Claims Administrators
P.O. Box 9000-6020
Merrick, New York 11566-9000

The request for exclusion must state: (1) your name, address, and telephone number; and (2) all purchases of Take-Two securities during the Class Period, including the dates of purchase or sale, the number of shares purchased or sold and the price paid or received per share. **YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE SEPTEMBER 20, 2002.** If you submit a valid and timely request for exclusion, you shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Judgment.

XI. DISMISSAL AND RELEASES

If the proposed Settlement is approved, the Court will enter an Order and Final Judgment (the "Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Defendants. Thereafter, the Action will be dismissed.

The Judgment will provide that all Class Members who do not validly and timely request to be excluded from the Class shall be deemed to have released and forever discharged all Released Claims (to the extent members of the Class have such claims) against all Released Parties.

XII. APPLICATION FOR FEES, EXPENSES AND AWARDS

At the Settlement Hearing, counsel for Plaintiffs will request the Court to award attorneys' fees of up to 30% of the Settlement Fund, plus reimbursement of the expenses that were advanced in connection with the Action, plus interest thereon.

To date, Plaintiffs' Counsel have not received any payment for their services in conducting this Action on behalf of Plaintiffs and the members of the Class, nor have counsel been reimbursed for their out-of-pocket expenses. The fees requested by Plaintiffs' Counsel would compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis.

XIII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among others: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of May 23, 2002.

XIV. THE RIGHT TO BE HEARD AT THE HEARING

Any Class member who has not validly and timely requested to be excluded from the Class, and who objects to any aspect of the Settlement, the Plan of Allocation, the adequacy of representation by Plaintiffs' Counsel, or the application for attorneys' fees, costs and expenses, may appear and be heard at the Settlement Hearing. Any such Person must submit a written notice of objection. Such objection must be served and filed so that it is received at least ten (10) days prior to the Settlement Hearing by each of the following:

BERNSTEIN LIEBHARD & LIFSHITZ, LLP
JEFFREY M. HABER
TIMOTHY J. MACFALL
10 East 40th Street
22nd Floor
New York, New York 10016

CLERK OF THE COURT UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
500 Pearl Street New York
New York 10007

Lead Counsel for Lead Plaintiff and the Class

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number of Take-Two shares purchased and sold during the Class Period, and contain a statement of the reasons for objection. Only members of the Class who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

XV. SPECIAL NOTICE TO NOMINEES

If you purchased or acquired any Take-Two securities during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Take-Two Interactive Software, Inc., Securities Litigation
c/o The Garden City Group, Inc
Claims Administrators
P.O. Box 9000-6020
Merrick, New York 11566-9000
1-888-212-5519

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

XVI. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation, with exhibits, and Complaint by visiting the following Web site: www.taketwosettlement.com, or in the Office of the Clerk of Court, United States District Court, 500 Pearl Street, New York, New York 10007.

If you have any questions about the Settlement of the Action, you may contact Lead Counsel by writing:

BERNSTEIN LIEBHARD & LIFSHITZ, LLP
JEFFREY M. HABER
TIMOTHY J. MACFALL
10 East 40th Street
22nd Floor
New York, New York 10016

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: JULY 29, 2002

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE SOUTHERN
DISTRICT OF NEW YORK