

BACKGROUND AND CASE OVERVIEW

1. This is a securities class action on behalf of all persons who purchased the common stock of Take-Two Interactive Software, Inc., (“Take-Two” or the “Company”) between October 25, 2004 and January 27, 2006 (the “Class Period”), against Take-Two and certain of its officers and directors for violation of the Securities Exchange Act of 1934 (the “1934 Act”).

2. Take-Two, together with its subsidiaries, is a global developer, marketer, distributor and publisher of interactive entertainment software games and accessories for personal computers and game consoles, such as PlayStation®. The Company derives the significant majority of its sales in the U.S. and its largest customers include Best Buy, Blockbuster, Circuit City, Electronics Boutique, GameStop, Target, Toys R Us, Wal-Mart, and other national and regional drug store, supermarket and discount store chains and specialty retailers.

3. Take-Two was founded in 1993 and completed its initial public stock offering in 1997. In 1998, Take-Two bought BMG Entertainment’s game business, including a successful but still small game called Grand Theft Auto. Take-Two put the game into a new division called Rockstar Games (“Rockstar”), which cultivated a “bad-boy” image. When the third installment of the game, Grand Theft Auto III, was released in 2001, the response was overwhelming. Grand Theft Auto III has since sold over ten million copies, in an industry in which sales of 500,000 once defined a hit. The next iteration of the game, Vice City, released in 2002, was even bigger. In 2003, Take Two’s annual revenues surpassed \$1 billion.

4. The Class Period begins on October 25, 2004, when Take- Two announced that it was commencing sales of Grand Theft Auto: San Andreas. The series of criminal adventure games released by Take-Two subsidiary Rockstar, including Grand Theft Auto and Vice City, had been among the best selling and most profitable in video game history. Defendants described the Grand Theft Auto: San Andreas launch as a “tremendous success” and as the “largest videogame launch in

Take-Two's history." The PlayStation2® version of Grand Theft Auto: San Andreas was the No. 1 game of 2004, selling just over 5 million copies.

5. During the next several quarters, Take-Two disclosed record earnings and revenues, in large part due to increasing Grand Theft Auto sales. Between FY 2004 and 2005, as Grand Theft Auto products' sales grew from 34.3% to 38.1% of the Company's revenues, the Company's gross sales increased from \$1.1 billion in FY 2004 to over \$1.2 billion in FY 2005.

6. However, unbeknownst to certain retailers, including Walmart and Target (which refuse to carry adult-only rated games), defendants were illegally propping up sales by including illicit pornographic materials directly in the programming of Grand Theft Auto: San Andreas. The pornographic mini-programs were euphemistically dubbed "Hot Coffee" because entry into the mini-programs was triggered by responding to an offer of "hot coffee" by the game character's "girlfriend." Loading a Hot Coffee modification from the Internet onto the game-user's personal computer unlocked minigames that enabled users to make game characters perform sexually explicit acts.

7. As a result of defendants' false Class Period statements and omissions, Take-Two's stock price traded at inflated levels throughout the Class Period, trading as high as \$29.60 per share by June 13, 2005. While the Company's stock was artificially inflated, certain insiders cashed-in, selling over 587,000 shares of their personally-held Take-Two stock at inflated prices, receiving over \$18 million in proceeds.

8. Then, on July 6, 2005, the powerful Entertainment Software Rating Board ("ESRB"), a private group that rates video games, announced it had launched an inquiry into Grand Theft Auto: San Andreas's rating. Grand Theft Auto: San Andreas had originally earned a Mature rating, meaning that it was suitable for ages 17 and older. However, the inclusion of any pornographic

materials would force Take-Two to assign the game an adults-only rating. Game publishers go out of their way to avoid that rating since major retailers such as Wal-Mart, Target and Best Buy have policies against selling adult titles. “Wal-Mart does not carry adult merchandise, so this will certainly have an impact on us,” Take-Two spokeswoman Karen Burk announced following the ESRB announcement.

9. However, Take-Two immediately went on the defensive. On July 13, 2005 the Company issued a release in which Take-Two falsely stated that the imbedded pornography was “the work of a determined group of hackers who have gone to significant trouble to alter scenes.” The statement added: “Hackers created the ‘hot coffee’ modification by disassembling and then combining, recompiling and altering the game’s code.” Defendants insisted the Hot Coffee modification was simply “an unauthorized third party modification that alters the retail version of the game.”

10. However, following its own investigation, on July 20, 2005, ESRB changed the rating of the Grand Theft Auto: San Andreas on all platforms from “Mature 17+” (M) to “Adults Only 18+” (AO) citing the Hot Coffee mod to the game’s software. Important retailers, including Wal-Mart, Target, and Best Buy, immediately pulled copies of Grand Theft Auto: San Andreas from their store shelves. Take-Two was also forced to dramatically lower its sales and earnings projections for the 4Q 2005, from a loss of 5 cents to 10 cents per share on sales ranging from \$205 million to \$215 million to a loss of 40 cents to 45 cents per share on sales ranging from \$160 million to \$170 million.

11. Thereafter, Take-Two was notified by the staff of the Federal Trade Commission’s (“FTC”) Division of Advertising Practices that it was conducting an inquiry into advertising claims

made for the title and whether the Company engaged in unfair or deceptive acts or practices in violation of section 5 of the Federal Trade Commission Act, 15 U.S.C. Section 45.

12. Once again, on October 31, 2005, Take-Two warned that its earnings in FY 2005 and 2006 would come in below expectations due to a “cautious U.S. retail environment” and a delay in the European launch of “Grand Theft Auto: Liberty City Stories” for Sony Corp.’s PlayStation® Portable game player.

13. On January 6, 2006, Take-Two admitted its 4Q 05 *earnings* fell sharply and cut its 1Q 06 outlook to a net *loss*, blaming “continued retail weakness” as well as the need for additional development time for its Top Spin 2 and College Hoops 2K6 products and said profits and sales for FY 2006 year would be “significantly below” prior forecasts. Take-Two also said Chief Operating Officer Gary Lewis has resigned “to relocate back to Europe.”

14. On January 18, 2006, Take-Two announced that it would be delaying the filing of its Form 10-K for FY 2005 and also admitted that its internal controls and procedures were materially weak, deficient and inadequate. The extension stated in part:

While management has not yet completed its assessment of the Registrant’s internal control over financial reporting, the Registrant’s management has concluded, as of the date of this filing, that the following material weaknesses existed as of October 31, 2005. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

- The Registrant did not maintain effective controls over the existence and valuation of its accounts payable related to inventory purchases. ***Specifically, the Registrant did not maintain effective controls to identify, analyze and reconcile amounts related to inventory purchases included in accounts payable to underlying supporting documentation. This control deficiency resulted in audit adjustments to the 2005 annual consolidated financial statements. In addition, this control deficiency could result in a misstatement of the accounts payable, inventory or cost of goods accounts or related disclosures that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected.*** Accordingly, management has determined that this control deficiency constitutes a material weakness.

- The Registrant did not maintain effective controls over the accuracy of the amortization of its capitalized software development costs. *Specifically, the Registrant did not have effective controls to accurately prepare and review inputs to a spreadsheet application used to calculate amortization expense related to capitalized software development costs. This control deficiency resulted in audit adjustments to the 2005 annual consolidated financial statements. In addition, this control deficiency could result in a misstatement of the capitalized software development costs or amortization expense or related disclosures that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected.* Accordingly, management has determined that this control deficiency constitutes a material weakness.

15. Just a week later, on January 25, 2006, Take-Two filed with the SEC a Current Report on Form 8-K, to report the resignation of board member and audit committee chairperson Barbara Kaczynski, which included, in pertinent part, the following letter from Kaczynski's attorney:

However, she is able to express to you directly the reasons why she resigned. During Ms. Kaczynski's tenure as a board member and chair of the audit committee, several matters requiring the board's attention caused Ms. Kaczynski concern. These matters included Take Two's discovery of illicit images depicted in its "Grand Theft Auto" videogame, the Federal Trade Commission's investigation of Take-Two following that discovery, and various SEC inquiries directed at Take-Two and its employees.

More recently, in connection with preparation of the 10-K and its late filing, Ms. Kaczynski's concerns have risen significantly because of what she views as an increasingly unhealthy relationship between senior management and the board of directors. In her experience, management's interactions with the board were characterized by a lack of cooperation and respect. Moreover, Ms. Kaczynski felt that management failed to keep the board informed of important issues facing the company or failed to do so in a timely fashion. In these circumstances, Ms. Kaczynski decided to resign her position as a member of the board. [Emphasis added.]

16. Finally, on January 27, 2006, the City Attorney for the City of Los Angeles filed an action against the Company and its subsidiary, Rockstar, in the Superior Court of the State of California alleging that the Company and Rockstar violated sections of the California Business and Professions Code by publishing untrue and misleading statements and engaging in unfair competition and that the Company and Rockstar were unjustly enriched as a result of the alleged failure to disclose that Grand Theft Auto: San Andreas contained "hidden" content which should

have resulted in the game receiving an Adults Only (“AO”) rating from the ESRB rather than a Mature (“M”) rating. Significantly, the City of Los Angeles’ Attorney found that Take-Two made false and misleading statements and concealed its own intentional actions in imbedding the “hidden” pornography content following the July 2005 disclosures. The City of Los Angeles is seeking a return of a substantial portion of the \$600 million Take-Two obtained in the illicit sales of Grand Theft Auto: San Andreas during the Class Period.

17. As a result, on January 27, 2006, Banc of America analyst Gary Cooper lowered his rating on Take-Two’s stock to “sell” from “neutral” and dropped his price target from \$19 to just \$12, citing: (i) possible earnings restatements, (ii) potential SEC investigations, (iii) poor accounting, (iv) an unexpected delayed launch of Grand Theft Auto Next to the fall of 2007, resulting in decreased revenues, and (v) the Company’s cash burn rate increasing “at an alarming rate,” with Cooper estimating cash levels could diminish to \$75 million by Spring 2006. An article dated January 27, 2006 and entitled “Tough Times for Take-Two Interactive” appeared in *TheStreet.com* and provided, in pertinent part, the following additional details:

Cooper cited a number of reasons for his downgrade, among them: ***accounting and governance problems at the company, the potential for an investigation by the Securities and Exchange Commission and an accounting restatement***, the rapid rate at which the company is burning cash, and his expectation that the company’s earnings will be lower than expected because of a delay in releasing the next major version of its Grand Theft Auto series.

“TTWO is not well-run, overly dependent on one product and will likely have to raise additional capital,” said Cooper. Because of these factors, despite his downgrade, “our new price target ... may still prove aggressive,” added Cooper, whose firm has done investment banking for Take-Two in the last year.

* * *

“We are unable to determine who is actively at the helm of the company,” Cooper said. “We believe the board of directors is weak as evidenced by a lack of managerial changes despite 13 pre-announcements, earnings estimate revisions or outright earnings [misses] in the past 10 quarters.”

Additionally, the delay in the filing of the annual report, added to Kaczynski's statements about SEC inquiries and the timing of certain insider sales last year, adds to Cooper's suspicions that the SEC may launch a full-bore investigation into the company. [Emphasis added.]

18. The true facts, which were known by each of the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Take-Two's video game Grand Theft Auto: San Andreas contained imbedded programming that permitted users to view pornographic materials which mandated that the game be rated Adult-Only rather than Mature;

(b) Many retailers would refuse to sell Grand Theft Auto: San Andreas, leading to decreased profitability of this game and delayed launches of the Company's related titles;

(c) Decreased game sales arising out of the sales ban imposed by important retailers on Take Two's games would significantly decrease the Company's current and projected sales and earnings;

(d) The Company's cash-burn rate was outstripping its sales and the Company's cash balances would not be sufficient to carry the Company through the release of Grand Theft Auto Next in the fall of 2007;

(e) Take-Two's management was not cooperating or assisting with the Company's audit committee and was failing to keep the Board of Directors informed of important issues or failing to do so in a timely fashion;

(f) Take-Two was misstating its accounts payable, inventory and cost of goods accounts;

(g) Take-Two was misstating capitalized software development costs and amortization expense;

(h) Take-Two had failing and deficient internal controls and procedures and lacked any meaningful ability to accurately report its financial results; and

(i) As a result of (a)-(h) above, Take-Two had no reasonable basis upon which to issue financial guidance for FY 2006.

19. Following the Company's January 27, 2006 revelations, Take-Two's stock price plunged below \$14 per share on more than 20 million shares trading, approximately ten times the average daily trading volume during the preceding 12 months. As a result of the disclosures of the Company's true financial condition, its stock ratings have been slashed. Moreover, the Company is exposed to class action lawsuits and regulatory enforcement actions brought by the Attorney Generals of several states. While the public investors lost over one billion dollars in market capitalization, the Individual Defendants pocketed over \$18 million in insider trading proceeds.

JURISDICTION AND VENUE

20. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

21. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District.

THE PARTIES

22. Plaintiff John Fenninger purchased Take-Two common stock as described in the attached certifications and was damaged thereby.

23. Defendant Take-Two has executive offices in New York, New York and is organized under the laws of Delaware. Take-Two has over 70 million shares issued and outstanding which trade in an efficient market on the Nasdaq National Market.

24. Defendant Paul Eibeler ("Eibeler") is and was at all relevant times the Chief Executive Officer ("CEO") of Take-Two.

25. Defendant Karl H. Winters (“Winters”) is and was at all relevant times the Chief Financial Officer (“CFO”) of Take-Two. During the Class Period, Winters sold over \$6 million worth of his personally-held Take-Two securities at inflated prices.

26. Defendant Gary Lewis (“Lewis”) served as Global Chief Operating Officer of Take-Two until his resignation on January 6, 2006. During the Class Period, Lewis sold over \$1.6 million worth of the Company’s securities at inflated prices.

27. Defendants Eibeler, Winters and Lewis are referred to herein as “Individual Defendants”.

28. Non-parties Oliver R. Grace, Jr. (“Grace”), Robert Flug (“Flug”), Todd Emmel (“Emmel”) and Steven Tisch (“Tisch”) served as directors of Take-Two during the Class Period and collectively sold approximately \$12 million worth of their personally-held Take-Two stock at inflated prices.

29. Because of their positions with the Company, Eibeler, Winters and Lewis possessed the power and authority to control the contents of Take-Two’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Eibeler, Winters and Lewis were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not to the public, Eibeler, Winters and Lewis knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. Eibeler, Winters and Lewis are liable for the false statements pleaded herein at ¶¶46-53 and ¶¶55-57, as those statements were each “group-published”

information, the result of the collective actions of Eibeler, Winters, Lewis and the Company's other executives.

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30. In addition to the above-described involvement, Eibeler, Winters and Lewis had knowledge of Take-Two's problems and were motivated to conceal such problems. The Company's finance department, under the direction of Winters, prepared all financial reports. Eibeler, as CEO, was responsible for the statements made by the Company and the press releases issued by the Company.

31. Defendants were motivated to engage in the fraudulent practices alleged herein in order to make it appear Take-Two was profitable and to give the Company the liquidity so its insiders could sell shares onto the open market at artificially inflated prices.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

32. Each defendant is liable for (i) making false statements, *or* (ii) failing to disclose adverse facts known to him about Take-Two and its operations. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Take-Two publicly traded securities was a success, as it (i) deceived the investing public regarding Take-Two's prospects and business; (ii) artificially inflated the prices of Take-Two's publicly traded securities; (iii) allowed Winters, Lewis and other insiders to sell over \$18 million worth of their own personally held Take-Two stock at inflated prices; and (iv) caused plaintiff and other members of the Class to purchase Take-Two publicly traded securities at inflated prices.

BACKGROUND

33. In order to provide guidance to videogame purchasers, in 1994 the videogame manufacturers established an organization known as the Entertainment Software Ratings Board ("ESRB"). The ESRB has many responsibilities, but the function most visible to the public is the

ESRB's independent review and application of uniform standards to the sex and violence contained in videogames. According to the ESRB, "the ESRB rating system helps parents and other consumers choose games that are right for their families."

34. Based upon that review, the ESRB assigns a rating to every videogame submitted for a rating. Typically the rating is prominently displayed on the front cover of the videogame so that the purchaser is made aware of potentially objectionable themes, such as explicit sex and violence, contained in the videogame.

35. ESRB ratings consist of two components. First, a letter rating that corresponds to a suggested audience, and content descriptors that identify elements in a videogame that may be of interest or concern. These letter ratings begin at "EC," which means the game is suitable for ages 3 and older and contains no material that parents would find inappropriate, and go up to "AO," ("Adults Only"), which means the title has content that should only be played by persons 18 years and older. According to ESRB, "Titles in this category may include prolonged scenes of intense violence and/or graphic sexual content and nudity."

36. Less than 1% of games rated in 2004 received an AO rating. Games rated AO are not desirable, because large retail chains, which sell the majority of videogames, will not stock AO rated games.

37. The second part of the rating consists of "content descriptors," which are designed to inform purchasers of the type of content contained in the videogame, especially content that might be considered objectionable. Content descriptors include "nudity", which means the videogame includes "graphic or prolonged depictions of nudity," and "strong sexual content", which means the videogame includes "graphic references to and/or depictions of sexual behavior, possibly including nudity."

38. Take-Two develops and markets a variety of videogames. The Company's most visible line of games is "Grand Theft Auto." This series of games have sold more than 32 million units, and has been especially popular among male teenagers and young adults.

39. "Grand Theft Auto" videogames pushed the videogame boundaries for sex and violence, and were Take-Two's most profitable games.

40. The original "Grand Theft Auto" was rated "M" by the ESRB. Defendants developed many sequels to Grand Theft Auto, including "Grand Theft Auto: Vice City." Some of these titles sold more than 10 million units.

41. On March 1, 2004, Defendants announced that they would develop and market a new Grand Theft Auto videogame, entitled Grand Theft Auto: San Andreas. Defendants knew that Grand Theft Auto: San Andreas would have to push the boundaries of acceptable societal norms even harder and farther than any previous Grand Theft Auto videogame in order to compete in the saturated video game industry. According to the President of Rockstar, "We are extremely humbled by the success of the Grand Theft Auto series and it has made us push ourselves further than ever to create a title in the Grand Theft Auto: San Andreas that will hopefully redefine the Grand Theft Auto series and revolutionize open-ended game play and video game production values."

42. After developing San Andreas, but before releasing it to the public, defendants submitted Grand Theft Auto: San Andreas to the ESRB. The videogames submitted by defendants contained sexually explicit content that could be accessed through software available on the internet.

43. However, defendants failed to provide this crucial information to the ESRB. Thus, the ESRB provided Grand Theft Auto: San Andreas with an "M" rating, which means the videogame included content "that may be suitable for persons ages 17 and older. Titles in this category may contain intense violence, blood and gore, sexual content, and/or strong language."

44. If Defendants had provided accurate, truthful information to the ESRB, the strong sexual content of San Andreas would have earned the videogame an AO rating. A title rated “AO” has “content that should only be played by persons 18 years and older. Titles in this category may include prolonged scenes of intense violence and/or graphic sexual content and nudity.”

45. On October 25, 2004, Defendants released Grand Theft Auto: San Andreas. Grand Theft Auto: San Andreas was an immediate hit. It was available in most of the nations’ largest retail chains, and sold more than 12 million copies in less than 10 months. Defendants attributed the success of Grand Theft Auto: San Andreas as the source of the Company’s record-setting revenues.

**DEFENDANTS’ FALSE AND MISLEADING
STATEMENTS ISSUED DURING THE CLASS PERIOD**

46. On October 25, 2004, Take-Two announced that Grand Theft Auto: San Andreas had been “shipped to retail stores in North America. Developed by Rockstar North, Grand Theft Auto: San Andreas is available exclusively for the PlayStation®2 computer entertainment system. Grand Theft Auto: San Andreas will be in stores in Europe on October 29th, 2004. Grand Theft Auto: San Andreas is the next installment in the gaming franchise that has sold over 32 million units to date, including over 13 million units of Grand Theft Auto: Vice City and over 11 million units of Grand Theft Auto 3.”

47. On December 16, 2004, Take-Two released its financial results for the fourth quarter and fiscal year-ended October 31, 2004. The press release stated in part:

Net sales for the fourth quarter ended October 31, 2004, which included the launch of the blockbuster title Grand Theft Auto: San Andreas for the PlayStation®2 computer entertainment system, were \$438.0 million compared to \$277.6 million for the same period a year ago. Net income for the quarter was \$62.6 million, which included a \$7.5 million accrual to establish a reserve in connection with the Company’s SEC investigation as discussed below. Fourth quarter 2004 net income of \$62.6 million and diluted net income per share of \$1.36 compared to net income of \$26.3 million and diluted net income per share of \$0.58 the prior year.

Net sales for the fiscal year ended October 31, 2004 were \$1.13 billion compared to \$1.03 billion for fiscal 2003. Net income of \$65.4 million, including the \$7.5 million accrual related to the Company's SEC investigation, compared to \$98.1 million in net income last year, with diluted net income per share of \$1.43 compared to \$2.27 last year.

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Fourth Quarter Highlights

Rockstar's Grand Theft Auto: San Andreas, released in late October for PlayStation 2, was a significant contributor to fourth quarter and fiscal year results. Created by the world-class developers Rockstar North, Grand Theft Auto: San Andreas was the top performing product in Take-Two's publishing business this quarter and fiscal year. According to NPDFunworldSM, Grand Theft Auto: San Andreas was the top selling PlayStation® 2 title in the United States in October and November.

* * *

Management Comments

Richard Roedel, Chairman and Chief Executive Officer, stated, "Fiscal 2004 was a rebuilding year for us, as we made key management additions and improved certain areas of our distribution and publishing businesses. We achieved a number of important accomplishments in 2004 which make Take-Two a much stronger company going into 2005:

Grand Theft Auto: San Andreas was the largest videogame launch in Take-Two's history, further strengthening both our Rockstar label and the Company's financial position.

* * *

Paul Eibeler, President, added, "***We are entering fiscal 2005 in a strong, competitive position. With the tremendous success of Grand Theft Auto: San Andreas, Rockstar Games has magnified the power of the Grand Theft Auto brand, and they will continue to build on the franchise with the launch of Xbox and PC versions of Grand Theft Auto: San Andreas in June.*** Our product portfolio going into 2005, which includes titles based on a combination of proven franchises, new brands and licensed properties, is the strongest in the Company's history. Combined with the expansion of our management team and the strengthening of our internal operations, we believe we are building the foundation for long term, sustained growth in the interactive entertainment industry." [Emphasis added.]

48. On December 22, 2004, Take-Two filed its annual report on Form 10-K, reiterating the results reported on December 16, 2004, and included the following certification filed by defendants Winters and Eibeler:

1. I have reviewed this Annual Report on Form 10-K for the year ended October 31, 2004 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;***

* * *

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. [Emphasis added.]

49. On March 3, 2005, Take-Two released its financial results for the first quarter ended January 31, 2005. The press release stated in part:

Net sales for the first quarter were \$502.5 million compared to \$375.5 million for the first quarter of fiscal 2004, an increase of 34%. Net income for the quarter rose to \$55.2 million, a 74% increase from net income of \$31.8 million during the same period last year. Diluted earnings per share of \$1.19 increased 70% from \$0.70 per diluted share in the prior year's first quarter.

Take-Two generated approximately \$185 million in cash flow from operations in the quarter, bringing the Company's cash position to approximately \$303 million as of January 31, 2005.

Take-Two attributed the sharply higher first quarter results primarily to continued strong consumer demand for its Grand Theft Auto: San Andreas title, as well as robust sales of the 2K Sports line of products and improved performance of the Company's Jack of All Games distribution business.

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Rockstar Games

Rockstar's Grand Theft Auto: San Andreas, released in late October for the PlayStation®2 computer entertainment system, was a significant contributor to the first quarter results. Created by the world-class developers Rockstar North, Grand Theft Auto: San Andreas was the top performing product in Take-Two's publishing business in the quarter. According to NPDFunworldSM, Grand Theft Auto: San Andreas was the top selling PlayStation® 2 title in the United States in each of the four months since its release. The Company's life to date sales of Grand Theft Auto: San Andreas through the end of the first quarter have exceeded 12 million units.

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Management Comments

Paul Eibeler, President and Chief Executive Officer, stated, "***Fiscal 2005 is off to a great start. We are extremely pleased with the continued success of Grand Theft Auto: San Andreas and Rockstar's plans to extend the reach of this blockbuster title to multiple platforms and the Asian market later this year.*** Additionally, we have made significant progress in diversifying our business, building our product pipeline and adding to our sports game development capabilities. We will continue to leverage our internal resources and invest in new opportunities, including extending our content to new hardware platforms. With our strong performance in the first quarter and our rapidly expanding portfolio of proven franchises, new brands and licensed properties, Take-Two is positioned for significant annual growth." [Emphasis added.]

50. On March 10, 2005, Take-Two filed with the SEC its quarterly report on Form 10-Q, reiterating the results reported on March 3, 2005, and included the following certification signed by defendants Eibeler and Winters:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2005 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;***

* * *

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. [Emphasis added.]

51. On June 2, 2005, Take-Two released its financial results for the second quarter ended April 30, 2005. The financial results reflected the Company's three-for-two stock split completed in April 2005. The press release stated in part:

Net sales in the second quarter increased 45% to \$222.1 million, compared to \$153.4 million in the second quarter of fiscal 2004. Net loss for the quarter was \$8.2 million, compared to a net loss of \$14.6 million last year, with a net loss of \$(0.12) per share compared to a net loss per share of \$(0.22) last year.

Net sales for the six months ended April 30, 2005 increased 37% to \$724.5 million, compared to \$528.9 million for the same period a year ago. Net income for the first six months more than doubled to \$47.1 million from net income of \$17.2 million in the comparable period last year. Diluted earnings per share of \$0.67 increased 168% from \$0.25 per diluted share in the prior year's first six months.

Take-Two attributed its increased second quarter sales to the launch of Midnight Club 3: DUB Edition for PlayStation®2 and Xbox® and Major League Baseball 2K5 for PlayStation® 2 and Xbox, ***as well as continued consumer demand for its Grand Theft Auto: San Andreas title for PlayStation® 2.***

* * *

Management Comments

Paul Eibeler, President and Chief Executive Officer, stated, “*We were pleased with the performance of our second quarter releases, as well as the continued success of Grand Theft Auto: San Andreas.*” Additionally, having just returned from E3, we are excited about our future. Rockstar, 2K Games, 2K Sports and Global Star showcased a diverse assortment of over 25 games across all genres, platforms and demographic appeal to much critical and consumer acclaim.” [Emphasis added.]

52. On June 9, 2005, Take-Two filed with the SEC its quarterly report on Form 10-Q, reiterating the results reported on June 2, 2005, and included the following certification signed by defendants Eibeler and Winters:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2005 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;*

* * *

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.

53. On July 20, 2005, Take-Two announced that the ESRB had changed the “rating of the Grand Theft Auto: San Andreas on all platforms from “Mature 17+” (M) to “Adults Only 18+” (AO) because of the so-called “hot coffee mod,” an unauthorized third party modification that alters the retail version of the game.” The press release stated in part:

Rockstar Games has ceased manufacturing of the current version of the title and will begin working on a version of the game with enhanced security to prevent the “hot coffee” modifications. This version will retain the original ESRB M-rating and is expected to be available during the Company’s fourth fiscal quarter. Rockstar Games will be providing AO labels for retailers who wish to continue to sell the current version of the title.

As a result of the re-rating of the game, Take-Two is lowering guidance for the third fiscal quarter ending July 31, 2005 to \$160 to \$170 million in net sales and a net loss per share of \$(0.40) to \$(0.45) to provide reserves for the value of the title’s current North American retail inventory. Accordingly, guidance for the fiscal year ending October 31, 2005 is also being lowered to \$1.26 to \$1.31 billion in net sales and \$1.05 to \$1.12 in diluted earnings per share. [Emphasis added.]

54. A little more than a week later after insisting that there were no other investigations, on July 29, 2005, Take-Two announced that “Australia’s Office of Film and Literature Classification (OFLC), the Australian entity responsible for rating films and video games, has revoked the classification of Grand Theft Auto: San Andreas. As a result of this decision, the game is now unclassified in Australia, and cannot be sold, advertised or distributed in that country.”

55. On September 7, 2005, Take-Two released its financial results for the third quarter ended July 31, 2005. The press release stated in part:

Net sales in the third quarter increased 6% to \$169.9 million, compared to \$160.9 million in the third quarter of fiscal 2004. Net loss for the quarter was \$28.8 million, compared to a net loss of \$14.4 million last year, with a net loss of \$(0.41) per share compared to a net loss per share of \$(0.21) last year.

Net sales for the nine months ended July 31, 2005 increased 30% to \$894.4 million, compared to \$689.7 million for the same period a year ago. Net income for the first nine months increased to \$18.3 million from net income of \$2.7 million in the comparable period last year. Diluted earnings per share of \$0.26 increased from \$0.04 per diluted share in the prior year’s first nine months.

Take-Two attributed its increased third quarter sales to the launch of Grand Theft Auto: San Andreas for Xbox and PC and Midnight Club 3: DUB Edition for the PSP™, along with the release of Charlie and the Chocolate Factory on multiple platforms and Sid Meier's Pirates! for Xbox.

The Company initiated its stock repurchase program during the third quarter and completed the entire \$25 million program shortly after the end of the quarter. Approximately 925,000 shares were purchased at an average price of \$26.96 per share.

Guidance

Take-Two is updating its fiscal 2005 guidance primarily to reflect the movement of Bully for PlayStation® 2 and Xbox out of the current fiscal year to provide additional development time for the title, the movement of the Japanese launch of Grand Theft Auto: San Andreas for PlayStation® 2 out of the current fiscal year, and the movement of Sid Meier's Civilization IV for PC from fiscal 2006 into fiscal 2005. The Company now expects \$1.22 to \$1.27 billion in net sales and \$0.85 to \$0.90 in diluted net income per share for the fiscal year ending October 31, 2005.

Take-Two is issuing initial guidance for fiscal 2006, excluding the estimated impact from adoption of FASB 123®:

For the fiscal year ending October 31, 2006, \$1.4 to \$1.5 billion in net sales and \$1.25 to \$1.55 in diluted net income per share.

For the first quarter ending January 31, 2006, \$350 to \$400 million in net sales and \$0.14 to \$0.20 in diluted net income per share.

The Company's diluted earnings/(loss) per share for all periods above do not include the impact of adopting FASB 123®, requiring the expensing of employee stock options. With the adoption of FASB 123® beginning on November 1, 2005, the Company's estimated diluted net income per share guidance will be \$1.05 to \$1.30 for the fiscal year ending October 31, 2006 and \$0.10 to \$0.15 for the first quarter ending January 31, 2006.

* * *

Management Comments

Paul Eibeler, President and Chief Executive Officer, stated, "Take-Two is in an excellent competitive position as our industry enters its next cycle of growth. We have a high quality line-up that is the most diverse in our history-- including the latest versions of established franchises, as well as newer titles that will become tomorrow's hits. Our Rockstar, 2K Games, 2K Sports and Global Star labels are building a product pipeline that will appeal to a broad range of consumers."

Mr. Eibeler continued, “We are particularly excited about the capabilities of the next generation hardware, which play to our strength--the ability to produce creative and engaging games that generate enthusiastic responses from gamers and reviewers alike. ***And, we have the financial and operational resources to capitalize on the opportunities presented by the current installed base and the millions of next generation console and handheld units that will be added in the coming months and years.***” [Emphasis added.]

56. On September 8, 2005, Take-Two filed with the SEC its quarterly report on Form 10-Q, reiterating the results reported on September 7, 2005, and included the following certification signed by defendants Eibeler and Winters:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2005 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;***

* * *

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.

57. On January 5, 2006, Take-Two announced preliminary and unaudited fiscal 2005 financial results for the period ended October 31, 2005. The press release stated in part:

New York, NY – January 5, 2006 – Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced preliminary and unaudited financial results of \$1.2 billion in net sales and diluted net income per share of \$0.53 for its fiscal year ended October 31, 2005 and \$308 million in net sales and \$0.27 in diluted net income per share for its fiscal 2005 fourth quarter. These figures are considered preliminary due to the need for additional time to complete the Company’s year-end results, including its assessments required for its first year of reporting under Section 404 of the Sarbanes-Oxley Act.

Take-Two expects to file its Form 10-K within the timeframe required by the Securities and Exchange Commission. The Company’s diluted earnings per share for the periods above do not include the impact of adopting FASB 123[®], requiring the expensing of employee stock options beginning on November 1, 2005.

Guidance

Take-Two is revising its fiscal 2006 first quarter guidance to reflect the continued retail weakness for video game software during the holiday selling season in both North America and Europe, as well as the movement into the second quarter of Top Spin 2 for the Xbox 360™ video game and entertainment system from Microsoft, Nintendo DS™ and Game Boy® Advance and College Hoops 2K6 for the Xbox 360 to provide additional development time. The Company now expects \$230 to \$250 million in net sales and a net loss per share for the first quarter ending January 31, 2006.

Due to the continued uncertainties related to the retail environment and the timing and consumer acceptance of new video game hardware and software, as well as the timing of the Company’s new product releases during 2006, Take-Two is not providing financial guidance for the fiscal year ending October 31, 2006, but now expects net revenue and earnings per share for fiscal 2006 to be significantly below the financial guidance previously provided by the Company and current analyst consensus estimates.

58. A Reuters’ article dated January 5, 2006 and entitled “Take-Two warns on 2006 profit, shares tumble” provided the following additional details:

The results fell short of analysts’ average forecast for a profit of 28 cents a share, but beat the consensus revenue target of \$290.6 million, according to Reuters Estimates.

Citing continued weak holiday video game sales in both North America and Europe, as well as the delay into the second quarter of versions of its “Top Spin 2” and “College Hoops 2K6” games, Take-Two forecast \$230 million to \$250 million in net sales and a net loss for the first-quarter ending January 31.

On October 31, Take-Two had forecast first-quarter revenue of \$300 million to \$350 million and a profit of 4 cents to 10 cents per share.

* * *

Take-Two declined to issue a forecast for fiscal 2006 due to continued uncertainty about retail appetite for new video game hardware and software, as well as the timing of its new product releases.

The company said it expected net revenue and earnings per share for its fiscal year ending October 2006 to be “significantly below the financial guidance previously provided by the company and current analyst consensus estimates.”

Last summer, Take-Two was forced to pull “Grand Theft Auto: San Andreas” from store shelves following the discovery of sex scenes that could be unlocked and viewed with a program downloaded from the Web. The debacle was blamed for the company’s third quarter net loss of \$28.8 million, which was double the loss posted in the year-earlier period.

Shares of Take-Two fell to \$16.95 in after-hours trading from their Nasdaq close of \$18.47. The stock is down 11 percent since the company issued a separate profit and revenue warning on October 31.

59. On January 18, 2006, Take-Two filed with the SEC a notice of late filing for its annual report on Form 10-K, which stated in part:

Although the Registrant has dedicated significant resources to completing its Annual Report on Form 10-K for the fiscal year ended October 31, 2005 (the “Form 10-K”), it has not been able to complete the Form 10-K on a timely basis because management is currently finalizing its financial statements and other disclosures for inclusion in its Form 10-K and the required assessment of its internal control over financial reporting as of October 31, 2005, as required by Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”). Although the Registrant has made substantial progress in completing its Form 10-K, there have been delays primarily attributable to the significant amount of work imposed by the new requirements under Section 404. The Registrant currently anticipates filing the Form 10-K on or before the end of the extended deadline.

While management has not yet completed its assessment of the Registrant’s internal control over financial reporting, the Registrant’s management has concluded, as of the date of this filing, that the following material weaknesses existed as of October 31, 2005. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

- ***The Registrant did not maintain effective controls over the existence and valuation of its accounts payable related to inventory purchases. Specifically, the Registrant did not maintain effective controls to identify, analyze and reconcile***

amounts related to inventory purchases included in accounts payable to underlying supporting documentation. This control deficiency resulted in audit adjustments to the 2005 annual consolidated financial statements. In addition, this control deficiency could result in a misstatement of the accounts payable, inventory or cost of goods accounts or related disclosures that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

- *The Registrant did not maintain effective controls over the accuracy of the amortization of its capitalized software development costs. Specifically, the Registrant did not have effective controls to accurately prepare and review inputs to a spreadsheet application used to calculate amortization expense related to capitalized software development costs. This control deficiency resulted in audit adjustments to the 2005 annual consolidated financial statements. In addition, this control deficiency could result in a misstatement of the capitalized software development costs or amortization expense or related disclosures that would result in a material misstatement of the annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. [Emphasis added.]*

60. On January 25, 2006, Take-Two filed with the SEC a Current Report on Form 8-K, to report the resignation of board member and audit committee chairperson Barbara Kaczynski, which included the following letter from Kaczynski's attorney:

As you know, we have just been retained to represent Barbara Kaczynski. I write in response to your email of Friday, January 20, 2006, to Ms. Kaczynski, regarding her resignation from the board of directors of Take-Two Interactive Software, Inc. ("Take-Two").

Your email seeks confirmation from Ms. Kaczynski that her resignation from Take-Two's board was not due to a disagreement with management of the type requiring disclosure under Item 5.02(a) of S.E.C. Form 8-K. Your email further asks Ms. Kaczynski to approve draft language describing the circumstances surrounding her resignation, which language the company intends to include in its upcoming Form 8-K disclosure.

Ms. Kaczynski does not know whether her resignation is of a type requiring disclosure under SEC rules and she does not feel able to express a view with respect to the language the Company intends to include in its Form 8-K disclosure about the resignation.

However, she is able to express to you directly the reasons why she resigned. During Ms. Kaczynski's tenure as a board member and chair of the audit committee, several matters requiring the board's attention caused Ms. Kaczynski

concern. These matters included Take Two's discovery of illicit images depicted in its "Grand Theft Auto" videogame, the Federal Trade Commission's investigation of Take-Two following that discovery, and various SEC inquiries directed at Take-Two and its employees.

More recently, in connection with preparation of the 10-K and its late filing, Ms. Kaczynski's concerns have risen significantly because of what she views as an increasingly unhealthy relationship between senior management and the board of directors. In her experience, management's interactions with the board were characterized by a lack of cooperation and respect. Moreover, Ms. Kaczynski felt that management failed to keep the board informed of important issues facing the company or failed to do so in a timely fashion. In these circumstances, Ms. Kaczynski decided to resign her position as a member of the board. [Emphasis added.]

61. Finally, on January 27, 2006, the City Attorney for the City of Los Angeles filed an action against the Company and its subsidiary, Rockstar, in the Superior Court of the State of California alleging the Company and Rockstar violated sections of the California Business and Professions Code by publishing untrue and misleading statements and engaging in unfair competition and that the Company and Rockstar were unjustly enriched as a result of the alleged failure to disclose that Grand Theft Auto: San Andreas contained "hidden" content which should have resulted in the game receiving an Adults Only ("AO") rating from the ESRB rather than a Mature ("M") rating. Significantly, the City of Los Angeles' Attorney found that Take-Two made false and misleading statements and concealed its own intentional actions in imbedding the "hidden" pornography content following the July 2005 disclosures. The City of Los Angeles demanded a return of a substantial portion of the \$600 million Take-Two obtained in the illicit sales of Grand Theft Auto: San Andreas during the Class Period.

62. As a result, on January 27, 2006, Banc of America analyst Gary Cooper lowered his rating on Take-Two's stock to "sell" from "neutral" and dropped his price target from \$19 to just \$12, citing: (i) possible earnings restatements, (ii) SEC investigations, (iii) poor accounting, (iv) an unexpected delayed launch of Grand Theft Auto Next to the fall of 2007 resulting in decreased

revenues, and (v) an increase in the Company's cash burn rate "at an alarming rate," with Cooper estimating that cash levels could diminish to \$75 million by Spring 2006. An article dated January 27, 2006 and entitled "Tough Times for Take-Two Interactive" appeared in *TheStreet.com* and provided, in pertinent part, the following additional details:

Cooper cited a number of reasons for his downgrade, among them: ***accounting and governance problems at the company, the potential for an investigation by the Securities and Exchange Commission and an accounting restatement***, the rapid rate at which the company is burning cash, and his expectation that the company's earnings will be lower than expected because of a delay in releasing the next major version of its Grand Theft Auto series.

"TTWO is not well-run, overly dependent on one product and will likely have to raise additional capital," said Cooper. Because of these factors, despite his downgrade, "our new price target ... may still prove aggressive," added Cooper, whose firm has done investment banking for Take-Two in the last year.

* * *

"We are unable to determine who is actively at the helm of the company," Cooper said. "We believe the board of directors is weak as evidenced by a lack of managerial changes despite 13 pre-announcements, earnings estimate revisions or outright earnings [misses] in the past 10 quarters."

Additionally, the delay in the filing of the annual report, added to Kaczynski's statements about SEC inquiries and the timing of certain insider sales last year, adds to Cooper's suspicions that the SEC may launch a full-bore investigation into the company. [Emphasis added.]

63. The true facts, which were known by each of the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Take-Two's video game Grand Theft Auto: San Andreas contained imbedded programming, that permits users to view pornographic materials, which mandated that the game be rated Adult-Only rather than Mature;

(b) Many retailers would refuse to sell Grand Theft Auto: San Andreas, leading to decreased profitability of this game and delayed launches of the Company's related titles;

(c) Decreased game sales arising out of the sales ban imposed by important retailers on Take Two's games would significantly decrease the Company's current and projected sales and earnings;

(d) Take-Two's management was not cooperating or assisting with the Company's audit committee and was failing to keep the Board of Directors informed of important issues or failing to do so in a timely fashion;

(e) Take-Two was misstating its accounts payable, inventory and cost of goods accounts;

(f) Take-Two was misstating capitalized software development costs and amortization expense;

(g) Take-Two had failing and deficient internal controls and procedures and lacked any meaningful ability to accurately report its financial results; and

(h) As a result of (a)-(g) above, Take-Two had no reasonable basis upon which to issue financial guidance for FY 2006.

64. An article dated January 28, 2005 and entitled "Take Two Talks" appeared in The New York Post and provided the following additional details:

Banc of America Securities analyst Gary Cooper yesterday put out a "sell" rating on Take Two, sending its shares down 13 percent to \$14.69.

Citing what he argued was the likelihood of additional SEC probes into management's stock sales last summer, Cooper said Take Two's corporate governance was in free fall.

"We believe the board of directors is weak, as evidenced by a lack of managerial changes despite 13 pre-announcements, earnings estimate revisions or outright earnings [misses] in the past 10 quarters," Cooper wrote.

What may prove to be the biggest blow yet to Take Two occurred when audit committee chairwoman Barbara Kaczynski abruptly resigned Wednesday night.

Kaczynski, the former CFO of the NFL, wrote a stinging letter faulting management's candor and competence and referring to continuing SEC inquiries.

Take Two investors told The Post that the most disturbing aspect of Kaczynski's resignation was that she retained high-profile defense lawyer Bruce Baird, of Covington & Burling.

"Baird doesn't just write letters. He negotiates [for] and defends people under full bore assault from the SEC, period," said this investor.

"So it is a clear message she is likely willing to cooperate with the government in any inquiry," the investor added.

LOSS CAUSATION/ECONOMIC LOSS

65. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated Take-Two's stock price and operated as a fraud or deceit on Class Period purchasers of Take-Two stock by misrepresenting the Company's business success and future business prospects and concealing the defendants' self-dealing. Later, however, when defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, Take-Two stock fell precipitously as the prior artificial inflation came out of Take-Two's stock price. As a result of their purchases of Take-Two stock during the Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

66. By misrepresenting its reserves and financial statements, the defendants presented a misleading picture of Take-Two's business and prospects.

67. These false financial statements caused and maintained the artificial inflation in Take-Two's stock price throughout the Class Period and until the truth was revealed to the market.

68. Defendants' false and misleading statements had the intended effect and caused Take-Two stock to trade at artificially inflated levels throughout the Class Period, reaching as high as \$28 per share in June 2005.

69. As a direct result of defendants' admissions and the public revelations regarding the truth about Take-Two's misstatements and its actual business prospects going forward, Take-Two's stock price plummeted. This drop removed the inflation from Take-Two's stock price, causing real economic loss to investors who had purchased the stock during the Class Period. In sum, as the truth about defendants' fraud and Take-Two's business performance was revealed, the Company's stock price plummeted, the artificial inflation came out of the stock and Plaintiff and other members of the Class were damaged, suffering economic losses.

70. The decline in Take-Two's stock price at the end of the Class Period was a direct result of the nature and extent of defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Take-Two's stock price decline negate any inference that the loss suffered by Plaintiff and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiff and other members of the Class was a direct result of defendants' fraudulent scheme to artificially inflate Take-Two's stock price and the subsequent significant decline in the value of Take-Two's stock when defendants' prior misrepresentations and other fraudulent conduct was revealed.

FIRST CLAIM

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

71. Plaintiff incorporates ¶¶1-70 by reference.

72. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

73. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of Take-Two common stock during the Class Period.

74. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Take-Two common stock. Plaintiff and the Class would not have purchased Take-Two common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

75. As a direct and proximate result of these defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of Take-Two common stock during the Class Period.

SECOND CLAIM

For Violation of §20(a) of the 1934 Act Against All Defendants

76. Plaintiff incorporates ¶¶1-75 by reference.

77. The Individual Defendants acted as a controlling persons of Take-Two within the meaning of §20(a) of the 1934 Act. By reason of their positions as officers and/or directors of Take-Two, and their ownership of Take-Two stock, the Individual Defendants had the power and authority to cause Take-Two to engage in the wrongful conduct complained of herein. Take-Two controlled

the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

78. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Take-Two common stock (the “Class”) on the open market during the Class Period. Excluded from the Class are defendants.

79. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Take-Two has more than 50 million shares of stock outstanding, owned by hundreds if not thousands of persons.

80. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the 1934 Act was violated by defendants;
- (b) whether defendants omitted and/or misrepresented material facts;
- (c) whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) whether the price of Take-Two’s common stock was artificially inflated; and
- (f) the extent of damage sustained by Class members and the appropriate measure of damages.

81. Plaintiff’s claims are typical of those of the Class because Plaintiff and the Class sustained damages from defendants’ wrongful conduct.

82. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

83. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding Plaintiff and the members of the Class damages, interest and costs;
- C. Awarding Plaintiff's reasonable costs, including attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: February 1, 2006

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