

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): December 24, 1997

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	0-29230 (Commission File Number)	51-0350842 (I.R.S. Employer Identification No.)
---	--	---

575 Broadway, New York, New York (Address of principal executive offices)	10012 (Zip Code)
--	---------------------

Registrant's telephone number, including area code: (212)941-2988

Not Applicable
Former name or former address, if changed since last report

Item 2. Acquisition and Disposition of Assets.

On December 24, 1997, Take-Two Interactive Software, Inc. (the "Company") acquired all of the outstanding capital stock of L&J Marketing Inc. d/b/a Alliance Distributors ("Alliance"), a company engaged in the business of distributing software games. Pursuant to an Agreement and Plan of Merger by and among the Company, Inventory Management Systems, Inc., a wholly-owned subsidiary of the Company ("IMSI"), Alliance Inventory Management, Inc., a wholly-owned subsidiary of IMSI ("AIM"), Alliance, Jay Gelman, Larry Muller and Andre Muller, Alliance was merged with and into AIM and all of the outstanding shares of the capital stock of Alliance were converted into an aggregate of 500,000 shares of restricted Common Stock of the Company (the "Merger"). As additional consideration for the Merger, the Company made a capital contribution to Alliance in the amount of \$1.5 million and granted five-year options to purchase an aggregate of 76,000 shares of Common Stock at a price of \$2.00 per share. The Company intends to account for the acquisition of Alliance as a purchase.

Simultaneously with the consummation of the Merger, AIM entered into a four-year employment agreement with each of Messrs. Gelman and Muller. Such agreements provide that each of Messrs. Gelman and Muller is entitled to receive an annual salary of \$183,500 and incentive compensation equal to 5% of AIM's earnings before taxes. In addition, each of Messrs. Gelman and Muller are

entitled to receive a bonus equal to 0.125% of the first \$20 million in combined sales of AIM and the Company during each year.

The source of the consideration paid in the foregoing transaction was authorized but unissued shares of Common Stock of the Company and cash on hand. The amount of consideration paid by the Company in connection with the transaction was determined by arm's-length negotiations.

The descriptions of the agreements discussed above are qualified in their entirety by reference to such agreements, which are attached as exhibits and are incorporated herein by reference.

Item 5. Other Events.

On December 24, 1997, IMSI and AIM entered into a revolving line of credit agreement with NationsBank, N.A. which provides for borrowings of up to \$5,000,000. Advances under the line of credit are based on a borrowing formula equal to the lesser of (i) \$5,000,000 or (ii) 80% of eligible accounts receivable, plus 50% of eligible inventory. Interest accrues on such advances at a rate of .75% over NationsBank's prime rate and is payable monthly. Borrowings under the line of credit are secured by a lien on accounts receivable and inventory of IMSI

-2-

and AIM and are guaranteed by the Company. The loan agreement limits or prohibits IMSI and AIM, subject to certain exceptions, from declaring or paying cash dividends, merging or consolidating with another corporation, selling assets (other than in the ordinary course of business), creating liens and incurring additional indebtedness. The line of credit expires on May 31, 1998.

The description of the terms of the line of credit contained herein is qualified in its entirety by reference to the loan documents, which are attached as exhibits and are incorporated herein by reference.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of the Business Acquired.

Audited financial statements relating to the acquisition will be filed by amendment within 60 days of the date this Report was required to be filed.

(b) Pro Forma Financial Information and Exhibits.

Pro Forma financial information relating to the acquisition will be filed by amendment within 60 days of the date this report was required to be filed.

(c) Exhibits

Exhibit 1 - Agreement and Plan of Merger dated as of December 22, 1997 by and among the Company, IMSI, AIM, Alliance, Jay Gelman, Larry Muller and Andre Muller.

Exhibit 2 - Employment Agreement between AIM and Jay Gelman.

Exhibit 3 - Employment Agreement between AIM and Larry Muller.

Exhibit 4 - Loan Documents by and among NationsBank, N.A., IMSI, AIM and the Company, as guarantor.

-3-

SIGNATURES

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

Dated: January 7, 1998

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of December 22, 1997 (the "Agreement"), by and among Take-Two Interactive Software, Inc., a Delaware corporation ("Take-Two"); Inventory Management Systems, Inc., a Delaware Corporation and wholly-owned subsidiary of Take-Two ("IMSI"); Alliance Inventory Management, Inc., a New York corporation and wholly-owned subsidiary of IMSI ("Subsidiary"); L&J MARKETING INC. D/B/A ALLIANCE DISTRIBUTORS, a New York corporation ("Alliance"); and each of JAY GELMAN ("Jay"), LARRY MULLER ("Larry") and ANDRE MULLER (collectively referred to as the "Alliance Stockholders").

W I T N E S S E T H :

WHEREAS, Alliance is in the business of distributing computer software and other items at wholesale (the "Business");

WHEREAS, the Boards of Directors of Take-Two and of Subsidiary, and of each of IMSI and Take-Two, as the sole shareholder of Subsidiary and IMSI, respectively, as well as the Board of Directors of Alliance and the Alliance Stockholders have (a) determined that it is in the best interests of their respective companies for Alliance to be merged with and into Subsidiary upon the terms and subject to the conditions set forth herein and (b) approved the merger of Alliance with and into Subsidiary (the "Merger") in accordance with the Business Corporation Law of the State of New York ("New York Law"), and upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto do hereby agree as follows:

1. The Merger.

1.1. The Merger. At the Effective Time (as defined in subsection 1.2), and subject to and upon the terms and conditions of this Agreement and New York Law, Alliance shall be merged with and into Subsidiary, the separate corporate existence of Alliance shall cease, and Subsidiary shall continue as the surviving corporation. Subsidiary, as the surviving corporation after the Merger, is hereinafter sometimes referred to as the "Surviving Corporation."

1.2. Effective Time. Simultaneously herewith, Subsidiary and Alliance shall cause the Merger to be consummated by delivering those documents to be delivered pursuant to subsection 1.7 hereof and by filing a Certificate of Merger (the

"Certificate of Merger") with the Secretary of State of the State of New York in the form of Exhibit 1.2 and making such other filings as may be required by New York Law, in such form as required by and executed in accordance with such laws (the date of such filing being the "Effective Time").

1.3. Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of New York Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the rights, privileges, powers, franchises and all property (real, personal and mixed) of Alliance and all debts due Alliance shall vest in Subsidiary, and all debts, liabilities, obligations and duties of Alliance shall become the debts, liabilities, obligations and duties of Subsidiary.

1.4. Certificate of Incorporation; By-Laws.

(a) The Certificate of Incorporation of Subsidiary, as in effect immediately prior to the Effective Time (annexed hereto as Exhibit 1.4(a)), shall be, subject to the name change set forth in the Agreement of Merger, the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law or such Certificate of Incorporation.

(b) The By-Laws of Subsidiary, as in effect immediately prior to the Effective Time (annexed hereto as Exhibit 1.4(b)), shall be the By-Laws of the Surviving Corporation until thereafter amended as provided by law or the Certificate of Incorporation of the Surviving Corporation or the By-Laws of the Surviving Corporation.

1.5. Directors and Officers of Surviving Corporation.

(a) Except for Larry and Jay, who shall be elected as officers of the Subsidiary to serve commencing as of the Effective Time until their successors are duly elected or qualified, as Chief Operating Officer and Senior Vice-President, Sales, respectively, the initial directors and officers of the Subsidiary, as in effect immediately prior to the Effective Time, shall be the Board of Directors and officers of the Surviving Corporation, each director holding office in accordance with applicable law, the Certificate of Incorporation and By-Laws of the Surviving Corporation until their resignation, removal or replacement.

(b) Take-Two will provide each director or officer of the Subsidiary with D & O insurance consistent with, and to the extent of, any coverage currently offered from time to time by Take-Two to its officers and directors.

-2-

(c) Take-Two shall indemnify each individual who served as a director or officer of the Subsidiary at any time after the Effective Time to the full extent permitted by law.

1.6. Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Take-Two, Subsidiary, Alliance or the Alliance Stockholders:

(a) All of the 200 issued and outstanding shares (the "Alliance Shares") of the capital stock, no par value, of Alliance (the "Alliance Common Stock") shall be converted into 500,000 shares (the "Stock Consideration") of Common Stock, par value of \$.001 per share, of Take-Two ("Take-Two Stock") against the surrender to Subsidiary of the certificates representing the Alliance Shares. Schedule 1.6(a) sets forth the allocation of the Stock Consideration to each of the Alliance Stockholders.

(b) All shares of the common stock, par value \$.01 per share, of Subsidiary issued and outstanding at the Effective Time shall remain outstanding and unchanged and shall constitute all of the issued and outstanding shares of the capital stock of the Surviving Corporation.

(c) Any share of Alliance Common Stock held in the treasury of Alliance shall be cancelled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(d) At the Effective Time, the stock transfer books of Alliance shall be closed and there shall be no further registration of transfers of any Alliance Shares thereafter on the records of Alliance.

(e) From and after the Effective Time, the holders of certificates evidencing ownership of Alliance Shares shall cease to have any rights with respect to the Alliance Shares, except as otherwise provided herein or by law.

(f) Notwithstanding anything to the contrary in this subsection 1.6, no party hereto shall be liable to a holder of a certificate or certificates formerly representing Alliance Shares for any amount properly paid to a public official pursuant to any applicable property, escheat or similar law.

1.7. Deliveries. Simultaneous with the execution of this Agreement, the parties shall deliver the following in accordance with the terms and conditions of this Agreement:

(a) Take-Two, IMSI and Subsidiary, as applicable, shall deliver:

-3-

(i) stock certificate(s), registered in the name of each of the Alliance Stockholders, representing their pro rata share as provided in Schedule 1.6(a), against stock certificate(s) representing the Alliance Shares;

(ii) the Capital Contribution (as defined in Section 5.7 hereof);

(iii) confirmation, in the form satisfactory to the parties hereto, from the State of New York or a filing service (jointly chosen by the parties hereto) that the Certificate of Merger of Alliance with and into the Subsidiary has been filed with the Secretary of State of New York, together with a copy of the executed form of such agreement;

(iv) the Employment Agreements (as defined in Section 5.4 hereof), duly executed by the Subsidiary; and

(v) copies of the resolutions of the Board of Directors of Take-Two, IMSI and the Subsidiary, authorizing Take-Two, IMSI and the Subsidiary to execute and deliver the documents each is obligated to deliver pursuant to this Agreement, to perform its obligations thereunder and to effect the Merger, duly certified by the Secretary or assistant Secretary of Take-Two, IMSI and the Subsidiary.

(b) Alliance and the Alliance Stockholders, as the case may be, shall deliver:

(i) stock certificate(s) representing all of the issued and outstanding shares of Alliance Common Stock, duly endorsed for transfer by the Alliance Stockholders;

(ii) copies of the resolutions of the Board of Directors of Alliance, and the written consent of the Alliance Stockholders,

authorizing Alliance to execute and deliver the documents it is obligated to deliver pursuant to this Agreement, to perform its obligations thereunder and to effect the Merger, duly certified by the Secretary or assistant Secretary of Alliance;

(iii) certificates of the Secretary or Assistant Secretary of Alliance certifying as to the incumbency and to the specimen signatures of the officers of Alliance executing the documents

-4-

pursuant to this Agreement on behalf of such corporation;

(iv) satisfaction and release of Subsidiary with respect to Stockholders Notes (as defined in Section 5.7 hereof), in the form of Exhibit 1.7(b)(v) attached hereto; and

(v) the Employment Agreements, duly executed by Jay and Larry, respectively.

2. Representations and Warranties as to Alliance and Stockholder. Each Alliance Stockholder hereby, jointly and severally, represents and warrants to Take-Two, IMSI and Subsidiary, as follows:

2.1. Organization, Standing and Power. Alliance is a corporation duly organized, validly existing and in good standing under the laws of New York, with full corporate power and authority to own, lease and operate its properties and to carry on the Business, as presently conducted by it. To the best knowledge of the Alliance Stockholders, except for the State of New Jersey, there are no states or jurisdictions in which the character and location of any of the properties owned or leased by Alliance, or the conduct of its Business, makes it necessary for it to qualify to do business as a foreign corporation and where it has not so qualified, except for those jurisdictions in which the failure to so qualify would not have a materially adverse effect on the Business or operations of Alliance. Copies of the Certificate of Incorporation of Alliance and all amendments thereof, and of the By-laws of Alliance, as amended to date, and Alliance's corporate books (containing corporate minutes and resolutions in Alliance's possession) have been furnished to Take-Two and are substantially complete and correct.

2.2. Capitalization. The authorized capital stock of Alliance consists of 200 shares of Common Stock, no par value, of which 200 shares are issued and outstanding. There are no outstanding options, warrants, rights, calls, commitments, conversion rights, puts, plans or other agreements of any character to which Alliance Stockholders or Alliance are a party or otherwise bound which provide for the acquisition or disposition of any of the Alliance Common Stock or any of the securities of Alliance. All of the issued and outstanding Alliance Common Stock has been duly and validly issued and is fully paid and nonassessable.

2.3. Ownership of Alliance Common Stock. The Alliance Stockholders have good and marketable title to, and own, all of the issued and outstanding shares of Alliance Common Stock, free and clear of any and all liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever.

-5-

2.4. Interests in Other Entities.

(a) Alliance does not (A) own, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any other entity, (B) has any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity, or (C) has any obligation, direct or indirect, present or contingent, (1) to purchase or subscribe for any interest in, advance or loan monies to, or in any way make investments in, any person or entity or (2) to share any profits from any entity. Notwithstanding the above, Alliance has disclosed that it operates under the following two d/b/a's: "Alliance Distributors" and "Alliance Advertising."

(b) None of the Alliance Stockholders (A) owns, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any other entity engaged in the same or similar business to the Business, (B) has any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity engaged in the same or similar business to the Business, or (C) has any obligation, direct or indirect, present or contingent, (1) to purchase or subscribe for any interest in, advance or loan monies to, or in any way make investments in, any person or entity engaged in the same or similar business to the Business, or (2) to share any profits from any entity engaged in the same or similar business to the Business, other than in publicly traded companies and "Advanced National Marketing Inc."

2.5. Authority.

(a) The execution and delivery by the Alliance Stockholders or Alliance of this Agreement and of all of the agreements to be executed and delivered by each of them pursuant hereto (the "Alliance Documents"), the performance by each of them of their respective obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of Alliance (including, but not limited to, the unanimous consent of the Alliance Stockholders and Boards of Directors) and Alliance has all necessary power with respect thereto.

(b) This Agreement is, and when executed and delivered by the Alliance Stockholders and Alliance (to the extent that they are parties thereto) the Alliance Documents to be delivered by any or all of them pursuant hereto will be, the valid and binding obligation of the Alliance Stockholders and Alliance (to the extent that they are parties thereto) in accordance with their respective terms.

2.6. Noncontravention. Except as set forth on Schedule 2.6, neither the execution and delivery by the Alliance Stockholders or Alliance of this Agreement or of any agreement to be executed and delivered by the Alliance Stockholders and/or Alliance pursuant hereto, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by the Alliance Stockholders or Alliance of their respective obligations, as the case may be, hereunder or thereunder, will (nor with the giving of

notice or the lapse of time or both would) (a) conflict with or result in a breach of any provision of the Certificate of Incorporation or By-laws of Alliance, or (b) give rise to a default, or any right of termination, cancellation or acceleration, or otherwise be in conflict with or result in a loss of contractual benefits to Alliance or under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it is a party or by which Alliance or the Alliance Stockholders may be bound or to which Alliance or the Business may be subject, or require any consent, approval or notice under the terms of any such document or instrument, or (c) violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental authority which is applicable to Alliance, or the Business, or (d) result in the creation or imposition of any lien, claim, charge, restriction or encumbrance upon any of the properties or assets of Alliance, or (e) interfere with or otherwise adversely affect the ability of Subsidiary to carry on the Business after the Effective Time on substantially the same basis as is now conducted by Alliance.

2.7. Litigation. Except as set forth in Schedule 2.7, there are no suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best of the knowledge of the Alliance Stockholders, threatened, against or relating to Alliance or the Business, in which the amount in dispute in each matter exceeds \$2,500.00. There are no judgments, orders, stipulations, injunctions, decrees or awards in effect which relate to Alliance, the Business or the operation of the Company, the effect of which is (A) to limit, restrict, regulate, enjoin or prohibit Alliance's operation in any area, or the acquisition of any properties, assets or businesses, or (B) otherwise materially adverse to the Business or Alliance.

2.8. No Violation of Law.

(a) Except with respect to the representations and warranties made herein by Alliance and the Alliance Stockholders as to Laws (as herein defined) relating to environmental and ecological protection, which representations and warranties are not qualified by "best knowledge" or otherwise and which is set forth in paragraph (b) hereof, Alliance and/or the Alliance Stockholders, as the case may be, are not engaging in any activity or omitting to take any action as a result of

-7-

which to the best of knowledge of the Alliance Stockholders: (A) they are in violation of any law, rule, regulation, zoning or other ordinance, statute, order, injunction or decree, or any other requirement of any court or governmental or administrative body or agency, applicable to Alliance or the Business ("Laws"), including, but not limited to, those relating to: occupational safety and health; business practices and operations; labor practices; employee benefits; and zoning and other land use, and (B) Alliance or the Business have been or will be materially and adversely affected.

(b) Alliance and/or the Alliance Stockholders, as the case may be, are not engaging in any activity or omitting to take any action as a result of which they are in violation of any Laws relating to environmental and ecological protection (e.g., the use, storage, handling, transport or disposal of pollutants, contaminants or hazardous or toxic materials or wastes, and the exposure of persons

thereto).

2.9. Financial Statements. Alliance has herewith delivered to Take-Two and Subsidiary (a) its financial statements consisting of the audited balance sheets for the years ended December 31, 1995 and 1996, and the related statements of income, stockholders' equity and cash flows for the two years then ended, which have been audited by Berenson & Company LLP, independent certified public accountants, and (b) its unaudited balance sheet at November 30, 1997, statements of income, stockholders' equity and cash flows for the ten months ended November 30, 1997 (collectively, the "Financial Statements"). The Financial Statements were prepared in accordance with generally accepted accounting principals ("GAAP"), consistently applied, and present fairly the financial position of Alliance as at the dates thereof and the results of operations for the periods and the cash flow indicated. The books and records of Alliance are materially complete and correct, except as qualified by Paragraph 2.10 infra., have been maintained in accordance with good business practices, and reflect the basis for the financial condition, results of operations and cash flow of Alliance as set forth in the Financial Statements in all material respects.

2.10. Absence of Undisclosed Liabilities. To the best knowledge of Larry and Jay, the only liabilities or obligations of any nature whatsoever, whether accrued, absolute, contingent or otherwise of Alliance are: (A) liabilities reflected on the Financial Statements or (B) incurred in the ordinary course of business since November 30, 1997, (C) in the case of other types of liabilities and obligations, described in any of the schedules delivered pursuant hereto or omitted from said schedules in accordance with the terms of this Agreement and (D) space lease for 14-20B 129 Street, College Point, New York 11356 with Marinelli Realty Inc. as Landlord.

-8-

2.11. Accounts Receivables; Inventories.

(a) The accounts receivable of Alliance are owned free and clear of all liens in favor of any person other than European American Bank ("EAB") and NationsCredit; are bona fide transactions completed in the ordinary course of business; and to the best of knowledge of Larry and Jay, the amounts thereof shown on Alliance's books and records are accurate; and there are no defenses, set-offs, counterclaims or disputes existing or asserted with respect thereto which in the aggregate exceed \$100,000, other than set-offs available to the parties who are also vendors to the Company with respect to accounts payable schedule.

(b) The inventories reflected on the Financial Statements consist of items of a quality and quantity usable or saleable in the ordinary course of business, except for obsolete materials, slow-moving items, materials of below standard quality and not readily marketable items.

2.12. Properties. Except for the liens and encumbrances incurred in the ordinary course of business of Alliance or disclosed in Schedule 2.12, Alliance has good and valid title to all of the properties and assets, reflected on the Financial Statements as owned by it or thereafter acquired, except properties or assets sold or otherwise disposed of in the ordinary course of business, free and clear of any and all mortgages, liens (excluding liens for current Taxes, as defined in subparagraph 2.15(b) hereof), pledges, claims, charges and encumbrances of any nature whatsoever. All plants, structures and equipment which are utilized in the Business, or are material to the condition (financial or otherwise) of

Alliance are owned or leased by Alliance. Alliance does not own any real property.

2.13. Intellectual Property. To the best knowledge of Larry and Jay, no proceedings have been instituted, are pending or are threatened, which challenge the rights of Alliance in respect to the Alliance tradename or the validity thereof.

2.14. Banks; Powers of Attorney. Schedule 2.14 is a complete and correct list showing (A) the names of each bank in which Alliance has an account or safe deposit box and the names of all persons authorized to draw thereon or who have access thereto, and (B) the names of all persons, if any, holding powers of attorney from Alliance or the Alliance Stockholders with respect to the Business.

2.15. Tax Matters.

(a) Alliance has filed with the appropriate governmental agencies all tax returns and reports required to be filed by it, and has paid in full or contested in good faith or

-9-

made adequate provision for the payment of, Taxes (as defined herein) shown to be due or claimed to be due on such tax returns and reports. The provisions for Taxes which will be set forth on the latest balance sheet included in the Financial Statements reflects and includes adequate provisions for the payment in full of any and all Taxes for which Alliance is or could be liable, whether to any governmental entity or to other persons (as, for example, under tax allocation agreements), not yet due for any and all periods up to and including the date of such balance sheet; and all Taxes for periods beginning thereafter through the Effective Time have been, or will be, paid when due or adequately reserved against on the books of Alliance and an amount of cash equal to the amount of such reserve will have been set aside for the payment of such Taxes. Alliance has duly withheld all payroll taxes, FICA and other federal, state and local taxes and other items requiring to be withheld by it from employer wages, and has duly deposited the same in trust for or paid over to the proper taxing authorities. Alliance has not executed or filed with any taxing authority any agreement extending the periods for the assessment or collection of any Taxes, and is not a party to any pending or, to the best knowledge of Alliance and the Alliance Stockholders, threatened, action or proceeding by any governmental authority for the assessment or collection of Taxes. Within the past three years, the United States federal income tax returns of Alliance have not been examined by the Internal Revenue Service ("the IRS") nor has the State of New York or any taxing authority thereof examined any merchandise, personal property, sales or use tax returns of Alliance. To the best knowledge of Larry and Jay, there is no tax lien, whether imposed by any Federal, state, county, local or foreign taxing authority, outstanding against the assets, properties or business of Alliance. Alliance has not agreed to make or is required to make any adjustment under Section 481(a) of the Internal Revenue Code, by reason of a change in accounting method or otherwise. Alliance is not a party to any tax sharing or allocation agreement. Alliance has not been a member of an affiliated group filing a consolidated Federal income tax return or has any liability for Taxes under Treas. Reg. ss. 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(b) As used herein, the term "Taxes" or "Tax" means all federal, state, county, local and other taxes and governmental assessments, including but not limited to income taxes, estimated taxes, withholding taxes, excise taxes, ad valorem taxes, payroll related taxes (including but not limited to premiums for worker's compensation insurance and statutory disability insurance), employment taxes, franchise taxes and import duties, together with any related liabilities, penalties, fines, additions to tax or interest.

2.16. Certain Business Matters and Practices. Except as set forth on Schedule 2.17, Alliance is not a party to

-10-

or bound by any distributorship, dealership, sales agency, franchise or similar agreement which relates to the Business. To the best of the knowledge of Alliance and the Alliance Stockholders, there are no pending or threatened labor negotiations, work stoppages or work slowdowns involving or affecting Alliance or the Business, and no union representation questions exist, and there are no organizing activities, in respect of any of the employees of Alliance. Alliance gives no warranties on the products sold by it other than warranties offered by manufacturer; provided, however, that on occasion Alliance assumes to liability under the manufacturer's warranty where Alliance deems, that such is in the best interests of its business or Alliance extends warranties, as it is required to do so, by law.

2.17. Certain Contracts. Set forth on Schedule 2.17 is a complete and correct list of all contracts, commitments, obligations and understandings, other than contracts, commitments, obligations and understandings pertaining to the purchase and sale of merchandise, i.e., purchase order to and from Alliance (which are not listed) pursuant to the Business, which are not set forth in any other schedule delivered hereunder and to which Alliance is a party or otherwise bound, except for each of those which (a) was made in the ordinary course of business, and (b) either (i) is terminable by Alliance (and will be terminable by Subsidiary, IMSI or Take-Two) without liability, expense or other obligation on thirty (30) days' notice or less, or (ii) may be anticipated to involve aggregate payments to or by Alliance of \$5,000 (or the equivalent) or less calculated over the full term thereof, and (c) is not otherwise material to the Business. Schedule 2.17 also sets forth agreements or arrangements in effect with respect to Alliance or the Business with any independent salesperson, distributor, sublicensor or other remarketer or sales organization. To the best of knowledge of Larry and Jay, Alliance has not received any notice of written default with respect to any such agreements or arrangements which remains uncured.

-11-

2.18. Customers and Suppliers.

(a) To the best of knowledge of Larry and Jay, Alliance has provided to Take-Two, IMSI and Subsidiary a complete and correct list setting forth, for the period commencing January 1, 1997 until December 14, 1997, (a) the 20 largest customers (by dollar volume) of the Business and the amount for which each such customer was invoiced, and (b) the 10 largest suppliers (by dollar volume) of the Business and the amount of goods and services purchased from each such supplier.

(b) During the last twelve (12) months, other than the notice from Sony Corp. ("Sony") transmitted to Alliance on or about August 1997 (notifying of Sony's intention to terminate its distributorship relationship), neither Nintendo nor Sony has informed Alliance or the Alliance Stockholders, orally or in writing (other than the right to terminate the agreement under the terms of its agreement), of any disputes with Alliance or its intention to cease selling or rendering services to, or dealing with, Alliance on substantially the same basis as of the date hereof, nor its intention to alter in any material respect the amount of sales or service or the extent of dealings with Alliance, or would alter in any material respect the sales or service or dealings in the event of the consummation of the Merger. To the best of the Alliance Stockholders' knowledge, neither Alliance nor any Alliance Stockholders have information which might reasonably indicate, nor has any information been brought to their attention which might reasonably lead them to believe, that any supplier or Alliance will not be able to fulfill outstanding or currently anticipated purchase orders place by, or service obligations to, Alliance.

2.19. Nature of Securities. The Alliance Stockholders understand that as of the date hereof (a) the Stock Consideration has not been registered under the Securities Act of 1933, as amended (the "Act"), based upon an exemption from such registration requirements; (b) the Stock Consideration to be received is "restricted securities," as said term is defined in Rule 144 of the General Rules and Regulations promulgated under the Act; (c) the Stock Consideration to be received may not be sold or otherwise transferred unless it has first been registered under the Act and applicable state securities laws or an exemption from the registration provisions of the Act and applicable state securities laws are available with respect to the proposed sale or transfer; (d) the certificates evidencing the Stock Consideration will bear a legend to the effect that the transfer thereof is restricted; and (e) stop transfer instructions will be placed with the transfer agent for the Stock Consideration.

2.20. Investment Representations. The Alliance Stockholders or their respective representatives have received and carefully reviewed Take-Two's registration statement on

Form SB-2 as declared effective by the Securities and Exchange Commission (the "SEC") on April 14, 1997 and most recent Form 10-QSB, and except for the foregoing and the representations and warranties contained herein, the Alliance Stockholders have not been furnished with any other materials or literature relating to Take-Two or the Stock Consideration. The Alliance Stockholders or their respective representatives have had a reasonable opportunity to ask questions of and receive answers from Take-Two concerning Take-Two, IMSI and Subsidiary and the Stock Consideration.

2.21. Information as to Alliance and the Alliance Stockholders. None of the representations or warranties made by Alliance or the Alliance Stockholders in this Agreement or in any agreement executed and delivered by or on behalf of any of them pursuant hereto are false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein contained not misleading.

3. Representations and Warranties as to Take-Two, IMSI and Subsidiary. Take-Two, IMSI and Subsidiary, as applicable, hereby represent and warrant to the Alliance Stockholders as follows:

3.1. Organization, Standing and Power.

(a) Take-Two is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate its properties and to carry on its business as presently conducted by it.

(b) IMSI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate its properties and to carry on its business as presently conducted by it.

(c) Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, with full corporate power and authority to own, lease and operate its properties.

(d) Take-Two has filed all forms, reports, statements and documents required to be filed with the Securities and Exchange Commission ("SEC") since April 14, 1997, (collectively, the "SEC Reports"), each of which has complied in all material respects with the applicable requirements of the Act or the Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, each as in effect on the date so filed. Take-Two has delivered or made available to the Alliance Stockholders, in the form filed with the SEC (including any amendments thereto), (A) its Quarterly Report on Form 10-QSB for the quarter ended

-13-

October 31, 1997 and (B) its Prospectus dated April 14, 1997. None of such forms, reports or documents (including but not limited to any financial statements or schedules included or incorporated by reference therein) filed by Take-Two, when filed (except to the extent revised or superseded by a subsequent filing with the SEC) contained any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements included in such forms were prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the financial position of Take-Two as at the dates thereof and its results of operations for the periods indicated, except that any unaudited financial statements are subject to normal reoccurring adjustments which might be required as a result of year-end audits.

3.2. Authority. The execution and delivery by Take-Two, IMSI and Subsidiary of this Agreement and of each agreement, document and instrument

to be executed and delivered by either or both of them pursuant hereto (the "Take-Two Documents"), the compliance by either or both of them with the provisions hereof and thereof, and the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate actions on the part of Take-Two, IMSI and the Subsidiary, and Take-Two, IMSI and the Subsidiary have all necessary corporate powers with respect thereto.

3.3. Noncontravention. This Agreement is, and when executed and delivered by each of Take-Two, IMSI and the Subsidiary, the Take-Two Documents to be executed and delivered by either or both of them pursuant hereto will be, the valid and binding obligation of Take-Two, IMSI and the Subsidiary in accordance with their terms. Neither the execution and delivery by Take-Two, IMSI or the Subsidiary of this Agreement or of the Take-Two Documents, nor the consummation of the transactions contemplated hereby or thereby, nor the compliance by Take-Two, IMSI or the Subsidiary with the provisions hereof and thereof, will (nor with the giving of notice or the lapse of time or both, would) conflict with or result in a violation of any provision of the Certificates of Incorporation or By-laws of Take-Two, IMSI and the Subsidiary, or, to the best knowledge of Take-Two, IMSI and the Subsidiary, result in the breach of any material agreement to which either Take-Two, IMSI or the Subsidiary is a party or otherwise bound which first has not been waived.

3.4. Investment. The Buyer is not acquiring the Alliance Shares with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act.

3.5. Capitalization. The authorized capital stock of Take-Two consists of 15,000,000 shares of Take-Two Stock

-14-

and 5,000,317 shares of Preferred Stock, par value \$.01 per share. As of the date hereof, (A) 9,250,043 shares of Take-Two Stock are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable, (B) 1,360,311 shares of Take-Two Stock are issuable upon exercise of options (plan and non-plan) and (C) 2,821,199 shares of Take-Two Stock are reserved for future issuance upon exercise of outstanding common stock purchase warrants. No preferred stock is outstanding as of the date hereof. There is no personal liability, and there are no preemptive rights with regard to the capital stock of Take-Two, and no right-of-first refusal or similar rights with regard to such capital stock.

3.6. Stock Consideration. The Stock Consideration, when issued, will be (A) duly authorized and validly issued, fully paid and non-assessable, (B) delivered hereunder free and clear of any security interests, pledges, mortgages, claims, liens and encumbrances of any kind whatsoever except that the Take-Two Stock will be "restricted securities" as such term is defined in the rules and regulations of the SEC and will be subject to restrictions on transfers pursuant to such rules and regulations and State laws, and (C) issued in compliance with all applicable federal and state securities laws.

3.7. Information as to Take-Two, IMSI and the Subsidiary. None of the representations or warranties made by Take-Two, IMSI or the Subsidiary in this Agreement or in any agreement executed and delivered by or on behalf of either or both of them pursuant hereto are false or misleading with respect to any material fact, or omit to state any material fact necessary

in order to make the statements therein contained not misleading.

4. Indemnification.

4.1. Indemnification by the Alliance Stockholders. Subject to the limitations set forth in Paragraph 4.5 hereof, each of Larry and Jay, jointly and severally hereby indemnifies and agrees to defend and hold harmless each of Take-Two, IMSI and Subsidiary from and against any and all actual losses, obligations, deficiencies, liabilities, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto) which either of them may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with any breach by Alliance or Larry and Jay of any representation, warranty or covenant made by any one or all of them, in this Agreement or the Alliance Documents, as applicable (provided, however, that the provisions of this subsection 4.1 shall not be available to the extent that the damages result from the actions or omissions of Take-Two, IMSI or the Subsidiary).

-15-

The foregoing indemnification shall also apply to direct claims by Take-Two, IMSI and/or Subsidiary against the Alliance Stockholders.

4.2. Indemnification by Take-Two, IMSI and the Subsidiary. Subject to the provisions of Paragraph 4.5 hereof, each of Take-Two, IMSI and the Subsidiary, jointly and severally, indemnifies and agrees to defend and hold harmless the Alliance Stockholders from and against any and all actual losses, obligations, deficiencies, liabilities, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto), which it or he may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with any breach by Take-Two, IMSI or Subsidiary of any representation, warranty or covenant made by either or both of them in this Agreement or any Take-Two Document, (provided, however, that the provisions of this subsection 4.2 shall not be available to the extent that the damages result from the actions or omissions of Alliance or the Alliance Stockholders). The indemnification provisions herein shall also apply to direct claims by the Alliance Stockholders against Take-Two, IMSI or the Subsidiary.

4.3. Third Party Claims. Subject to the provisions of Paragraph 4.5, if a claim by a third party is made against any party or parties hereto and the party or parties against whom said claim is made intends to seek indemnification with respect thereto under subsections 4.1 or 4.2 or such claim is made by EAB against the Alliance Stockholders under the personal guaranties, the party or parties seeking such indemnification shall promptly notify the indemnifying party or parties, in writing, of such claim, providing such details of the claim (including the claimed amount) as are then known; provided, however, that the failure to give such notice shall not affect the rights of the indemnified party or parties hereunder except to the extent that such failure materially and adversely affects the indemnifying party or parties due to the inability to timely defend such action. The indemnifying party or parties shall have 10 business days after said notice is given to elect, by written notice given to the indemnified party or parties, to undertake, conduct and control, through counsel of their own choosing (subject to the consent of the indemnified party or parties, such consent not to be unreasonably withheld) and at their sole risk and expense, the good faith settlement or defense of such claim, and

the indemnified party or parties shall cooperate with the indemnifying parties in connection therewith; provided: (a) all settlements require the prior reasonable consultation with the indemnified party and the prior written consent of the indemnified party, which consent shall not be unreasonably withheld, and (b) the indemnified party or parties shall be

-16-

entitled to participate in such settlement or defense through counsel chosen by the indemnified party or parties, provided that the fees and expenses of such counsel shall be borne by the indemnified party or parties. So long as the indemnifying party or parties are contesting any such claim in good faith, the indemnified party or parties shall not pay or settle any such claim; provided, however, that notwithstanding the foregoing, the indemnified party or parties shall have the right to pay or settle any such claim at any time, provided that in such event they shall waive any right of indemnification therefor by the indemnifying party or parties. If the indemnifying party or parties do not make a timely election to undertake the good faith defense or settlement of the claim as aforesaid, or if the indemnifying parties fail to proceed with the good faith defense or settlement of the matter after making such election, then, in either such event, the indemnified party or parties shall have the right, through counsel of their own choosing (subject to the consent of the indemnifying party or parties, such consent not to be unreasonably withheld) to contest, settle or compromise (provided that all settlements or compromises require the prior reasonable consultation with the indemnifying party and the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld) the claim at their exclusive discretion, at the risk and expense of the indemnifying parties; it being understood that payment by the indemnifying parties of damages, costs and expenses to the indemnified party or parties shall be on a thirty (30) day basis following submission to such indemnifying parties of invoices, etc. evidencing damage, costs and expenses incurred by the indemnified party or parties.

4.4. Assistance. Regardless of which party is controlling the defense of any claim, each party shall act in good faith and shall provide reasonable documents and cooperation to the party handling the defense.

4.5. Limitations. Notwithstanding the foregoing, and subject only to the set-off provisions with respect to Alliance's accounts receivable provided for in subsection 2.11(a) hereof, each of the parties covenants and agrees that the indemnification provisions of this Section 4 shall not be applicable unless and until the aggregate of all indemnifiable amounts sought against the indemnifying parties first exceeds \$50,000, in which event the party seeking indemnification may seek indemnification for amounts in excess of \$50,000; provided, however, that the Alliance Stockholders shall not have any liability with respect to the representation and warranty relating to receivables unless and until the amounts of defenses, set-offs, counterclaims or disputes exceed \$100,000; provided further that any such amounts shall be applied to the \$50,000 basket provided for herein with respect to other damages (exclusive of the aforementioned set-offs for receivables up to an aggregate amount of \$100,000). Notwithstanding any obligations to indemnify pursuant hereto, the maximum liability

-17-

of each of the Alliance Stockholders shall be the value of their respective share of the Stock Consideration, as valued at the closing bid price of Take-Two Common Stock on the Nasdaq SmallCap Market for the trading day immediately preceding the date hereof. Satisfaction of any obligation to indemnify may be satisfied (i) by delivery of shares of Take-Two Common Stock (valued at the closing bid price for the Take-Two Common Stock the trading day immediately preceding the date hereof) or (ii) by cash. In no event shall any Alliance Stockholder have any liability for indemnification obligations under this Agreement in excess to the market value of their Stock Consideration (as valued above) received by that individual Alliance Stockholder. The closing bid price for the Take-Two Common Stock on the Nasdaq Small Cap Market for the trading preceding the date hereof was 5 3/8.

5. Covenants

5.1. Consummation of Transaction. Each of the parties hereto hereby agrees to use all reasonable efforts to cause all conditions precedent to his or its obligations (and to the obligations of the other parties hereto to consummate the transactions contemplated hereby) to be satisfied, including, but not limited to, using all reasonable efforts to obtain all required (if so required by this Agreement) consents, waivers, amendments, modifications, approvals, authorizations, novations and licenses; provided, however, that nothing herein contained shall be deemed to modify any of the absolute obligations imposed upon or rights of any of the parties hereto under this Agreement or any agreement executed and delivered pursuant hereto.

5.2. Cooperation/Further Assurances.

(a) Each of the parties hereto hereby agrees to fully cooperate with the other parties hereto in preparing and filing any notices, applications, reports and other instruments and documents which are required by, or which are desirable in the reasonable opinion of any of the parties hereto, or their respective legal counsel, in respect of, any statute, rule, regulation or order of any governmental or administrative body in connection with the transactions contemplated by this Agreement, subject to subsection 5.20 hereof. The legal, administrative costs and disbursements incurred providing this cooperation shall be borne by the party who seeks such cooperation.

(b) Each of the parties hereto hereby further agrees to execute, acknowledge, deliver, file and/or record, or cause such other parties to the extent permitted by law to execute, acknowledge, deliver, file and/or record such other documents as may be required by this Agreement and as Take-Two, IMSI and/or Subsidiary, on the one hand, and/or Alliance and/or the Alliance Stockholders, on the other, or their

-18-

respective legal counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement. The legal, administrative costs and disbursements incurred by the party of whom the request is being made shall be borne by the party who sought such request.

5.3. Broker. Each of the parties hereto represents and warrants to the

other parties that no broker or finder was engaged in connection with the transaction contemplated by this Agreement with whom the indemnifying party has dealt, and each of the parties shall indemnify and hold the other harmless from and against any and all claims or liabilities asserted by or on behalf of any alleged broker or finder for broker's fees, finder's fees, commissions or like payments, without regard to the indemnification limitations contained in this Agreement.

5.4. Employment Agreements. Simultaneous with the execution of this Agreement, each of Jay and Larry will enter into an employment agreement with Subsidiary in the form of Exhibits 5.4A and 5.4B hereto (the "Employment Agreements").

5.5. Stock Options. At the Effective Time, Take- Two shall provide and the Company shall grant five (5) year non-qualified options to purchase shares of Take-Two Stock, at an exercise price of \$2.00 per share, as follows:

Name	Amount of Stock
----	-----
Steve Glickstein	19,000
Eric Markowitz	38,000
Andre Muller	19,000

Such non-qualified options shall vest as follows: (i) 33% on the one year anniversary thereof; (ii) 33% on the two year anniversary thereof; and (iii) 34% on the three year anniversary thereof.

5.6. Stock Option Plan. As promptly as possible, the Company shall amend its Stock Option to provide for an additional 90,000 shares of Take-Two Stock for the granting of stock options by the Company to management and key employees of Alliance pursuant to the terms and conditions of such Plan.

5.7. Capital Contribution. Simultaneously herewith, Take-Two shall make a capital contribution to Alliance by certified check or wire transfer of immediately available funds (at the option of the Alliance Stockholders), in the aggregate amount of \$1.5 million, in order for the Company to discharge in full its outstanding indebtedness to the Alliance Stockholders in the form of promissory notes ("Stockholder Notes"), as provided for in the corporate resolution of L&J

Marketing, Inc., dated December 1, 1997. It is agreed that the Stockholder Notes may be satisfied by direct payment of the capital contribution to the holders of the Notes, or the Stockholder Notes may be partially or fully satisfied prior to consummation of the transactions contemplated by this Agreement, and in such event, the aforementioned capital contribution shall be used to satisfy any debt incurred or replenish any account used diminished as a result of the satisfaction of Stockholder Notes.

5.8. Credit Facility.

(a) Simultaneously herewith, Subsidiary and IMSI, as co-borrowers, shall enter into an agreement with NationsBank, NA (the "Bank"), whereby the Bank will grant to Subsidiary and IMSI, as co-borrowers, a line of credit in an amount no less than \$5 million, upon terms and conditions mutually agreeably to the parties thereto.

(b) Simultaneously herewith, Subsidiary shall pay down any outstanding balance on the existing lines of credit of Alliance with each of EAB and NationsCredit, where upon such lines of credit shall be terminated and each of Larry and Jay shall, effective as of the pay down date, be released as personal guarantors thereto.

6. Survival of Representations and Warranties.

Each of the parties hereto hereby agrees that all representations and warranties made by or on behalf of him or it in this Agreement or in any document or instrument delivered pursuant hereto shall survive the Effective Time until April 30, 1999, except for the representations and warranties contained in subsections 2.8 and 2.15, which shall survive for the applicable statute of limitations period.

7. General Provisions.

7.1. Fees and Expenses.

(a) Take-Two, on the one hand, and Alliance, on the other hand, shall be responsible for and shall, prior to the Effective Time, pay the fees and expenses incurred by each of (i) Take-Two, IMSI and the Subsidiary and (ii) Alliance and the Alliance Stockholders, respectively, in connection with the Merger and the transactions contemplated by this Agreement.

(b) Take-Two and the Subsidiary agree that the legal and other reasonable costs and disbursements incurred by the Alliance Shareholders in conjunction with this merger shall be paid by Alliance prior to the consummation of this

-20-

Agreement. Take-Two and Subsidiary hereby consent to such payment by Alliance.

7.2. Amendment. This Agreement may not be amended except by an instrument in writing signed by each of the parties hereto.

7.3. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be delivered personally by registered or certified mail (postage prepaid, return receipt requested) or recognized overnight courier and shall be deemed to have been duly given or made as of the date of actual delivery, at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

If to Take-Two, IMSI
or Subsidiary:

Take-Two Interactive Software, Inc.
575 Broadway
New York, New York
Attn: Ryan Brant

with a copy to:

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attn: Barry S. Rutcofsky, Esq.

If to Alliance:

L&J Marketing, Inc.
14-20B 129th Street
College Point, NY 11356

Attn: Jay Gelman

with a copy to:

Law Offices of Brian J. Herman
113-20 Jamaica Avenue
Richmond Hill, New York 11418
Attn: Brian J. Herman
Fax: (718) 847-0025

As for the Alliance Shareholders:

If to Larry:

61 Hearthstone Drive
Dix Hills, NY 11746

with a copy to:

Law Offices of Brian J. Herman
113-20 Jamaica Avenue
Richmond Hill, New York 11418
Attn: Brian J. Herman
Fax: (718) 847-0025

-21-

If to Jay:

27 Copper Beach Lane
Lawrence, NY 11354

with a copy to:

Law Offices of Brian J. Herman
113-20 Jamaica Avenue
Richmond Hill, New York 11418
Attn: Brian J. Herman
Fax: (718) 847-0025

If to Andre Muller:

120 Village Hill Drive
Dix Hills, NY 11746

with a copy to:

Law Offices of Brian J. Herman
113-20 Jamaica Avenue
Richmond Hill, New York 11418
Attn: Brian J. Herman
Fax: (718) 847-0025

7.4. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the greatest extent possible.

7.5. Entire Agreement. This Agreement and the Confidentiality Agreement and the agreements referred to herein constitute the entire agreement, and supersede all prior agreements, representations and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

7.6. No Assignment. This Agreement shall not be assigned by operation of law or otherwise, and any assignment shall be null and void.

7.7. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York without regard to its choice of law principles.

-22-

7.8. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

-23-

IN WITNESS WHEREOF, each of the parties hereto, have caused this Agreement to be executed as of the date first written above.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: _____
Ryan Brant, CEO

INVENTORY MANAGEMENT SYSTEMS, INC.

By: _____

ALLIANCE INVENTORY MANAGEMENT, INC.

By: _____

L&J MARKETING, INC.

By: _____

JAY GELMAN

ANDRE MULLER

LARRY MULLER

-24-

INDEX OF EXHIBITS AND SCHEDULES

	Page

EXHIBITS	

Exhibit 1.2 Certificate of Merger.....	2
Exhibit 1.4(a) Subsidiary Certificate of Incorporation.....	2
Exhibit 1.4(b) Subsidiary By-Laws.....	2
Exhibit 1.7(b)(v) Satisfaction and Release	5
Exhibit 5.4A Employment Agreement (Larry).....	19
Exhibit 5.4B Employment Agreement (Jay).....	19
Schedule 1.6(a) Allocation of Consideration	3
Schedule 2.6 Noncontravention	4
Schedule 2.7 Litigation	7
Schedule 2.12 Property.....	8
Schedule 2.14 Bank/Power of Attorney.....	9
Schedule 2.17 Material Contracts.....	12

-25-

AGREEMENT AND PLAN OF MERGER

by and among

TAKE-TWO INTERACTIVE SOFTWARE, INC.,

INVENTORY MANAGEMENT SYSTEMS, INC.,

ALLIANCE INVENTORY MANAGEMENT, INC.,

L&J MARKETING INC. d/b/a ALLIANCE DISTRIBUTORS,

and each of

JAY GELMAN, LARRY MULLER and ANDRE MULLER

December , 1997

TABLE OF CONTENTS

	Page
1. The Merger ¹	
1.1. The Merger	1
1.2. Effective Time	1
1.3. Effect of the Merger	2
1.4. Certificate of Incorporation; By-Laws	2
1.5. Directors and Officers of Surviving Corporation	2
1.6. Conversion of Securities	2
1.7. Deliveries	18
2. Representations and Warranties as to Alliance and Stockholder	4
2.1. Organization, Standing and Power	4
2.2. Capitalization	4
2.3. Ownership of Alliance Common Stock	4
2.4. Interests in Other Entities	5
2.5. Authority	5
2.6. Noncontravention	6
2.7. Litigation	6
2.8. No Violation of Law	6
2.9. Financial Statements	7
2.10. Absence of Undisclosed Liabilities	7
2.11. Accounts Receivables; Inventories	7
2.12. Properties	8
2.13. Intellectual Property	8

2.14. Banks; Powers of Attorney	9
2.15. Tax Matters	9
2.16. Certain Business Matters	10
2.18. Customers and Suppliers	11
2.19. Nature of Securities	11
2.20. Investment Representations	12
2.21. Information as to Alliance and the Alliance Stockholders	12
3. Representations and Warranties as to Take-Two, IMSI and Subsidiary	12
3.1. Organization, Standing and Power	12
3.2. Authority	13
3.3. Capitalization	14
3.4. Stock Consideration	14
3.5. Information as to Take-Two, IMSI and the Subsidiary	14
4. Indemnification	15
4.1. Indemnification by the Alliance Stockholders	15
4.2. Indemnification by	15
4.3. Third Party Claims	15
4.4. Assistance	16
4.5. Limitations	16
5. Covenants	17
5.1. Consummation of Transaction	17
5.2. Cooperation/Further Assurances	17
5.3. Broker	18
5.4. Employment Agreements	18
5.5. Stock Options	18
5.6. Stock Option Plan	18
5.7. Capital Infusion	20
5.8. Credit Facility	20
7. Survival of Representations and Warranties	20
8. General Provisions	21
8.1. Fees and Expenses	20
8.2. Amendment	20
8.3. Notices	21
8.4. Severability	23
8.5. Entire Agreement	23
8.6. No Assignment	23
8.7. Governing Law	23
8.8. Counterparts	23

EMPLOYMENT AGREEMENT

AGREEMENT dated as of December 22, 1997 between Alliance Inventory Management, Inc. a New York corporation (the "Employer" or the "Company"), and Jay Gelman (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer desires to employ the Employee as Senior Vice-President, Sales and to be assured of his services as such on the terms and conditions hereinafter set forth; and

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

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

1. Term. Employer hereby agrees to employ Employee, and Employee hereby agrees to be so employed by Employer for a four (4) year period commencing as of the date of this Agreement (the "Effective Date") (such period being herein referred to as the "Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year") unless earlier terminated pursuant to Section 6 hereof.

2. Employee Duties.

(a) During the term of this Agreement, the Employee shall have the duties and responsibilities of Senior Vice-President, Sales, of the Employer, reporting directly to the Chairman of the Employer and the Board of Directors of the Employer (the "Board"). It is understood that such duties and responsibilities shall be reasonably related to the Employee's position.

(b) The Employee shall devote substantially all of his business time, attention, knowledge and skills faithfully, diligently and to the best of his ability in furtherance of the business and activities of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices located at 14-20B 129th Street, College Point, New York, although the Employee may, for business reasons, be required from time to time to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

3. Compensation.

(a) Subject to adjustment for cost of living pursuant to subparagraph 3(b) hereof, the Employer shall pay the Employee a salary (the "Salary") at a rate of \$183,500 per annum in respect of each Employment Year during the Term, payable in equal installments bi-weekly, or at such other times as may mutually be agreed upon between the Employer and the Employee.

(b) Effective as of the first day of the second, third and fourth Employment Years of the Term, there shall be made a cost of living adjustment of the Salary payable hereunder. Such adjustment shall be based on the percentage difference between the Price Index (as defined herein) for the first month of

each new Employment Year and the Price Index for the Base Month (as defined herein). In the event the Price Index for the first month in any Employment Year calendar year during the Term reflects an increase over the Price Index for the Base Month, then the Salary shall be multiplied by the percentage difference between the Price Index for such first month and the Price Index for the Base Month, and the resulting sum shall be added to the Salary, effective as of such first month. Such Salary, as adjusted, shall thereafter be payable, in equal bi-weekly installments, until it is readjusted in the following Employment Year pursuant to the terms hereof. In the event any cost of living adjustment is not available as of the first month of the Employment Year, payments of Salary shall be made on the basis of the preceding Employment Year until the cost of living adjustment is available at which time the bi-weekly installment payment next due shall be computed on the basis of the cost of living adjustment increased as provided hereinabove to retroactively adjust the payments paid during such Employment Year at the previous Salary, and all subsequent bi-weekly installment payments of the Salary in such Employment Year shall be at the newly adjusted Salary. In no event shall any adjustment pursuant to this Section result in a reduction of salary rate from the prior period.

For the purpose of calculating the cost of living adjustments, the following definitions shall apply: (i) the term "Base Month" shall mean the calendar month immediately preceding the calendar month in which the Term commences; and (ii) the term "Price Index" shall mean the "Revised Consumer Price Index for Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor, for the New York, Northeastern, New Jersey, All Items, (1967 = 100) or a term "Price Index for the Base Month" shall mean the Price Index for the Base Month.

(c) The Employee shall be entitled to an incentive compensation in respect of each year during the term of this Agreement (pro rated for any partial year during the term of this Agreement) equal to 5% of Net Income (as defined

-2-

hereinbelow). The term "Net Income" means, for any applicable fiscal year, earnings of the Company before taxes, as calculated in accordance with generally accepted accounting principles applied on a basis consistent with those utilized in the preparation of the Company's financial statements for such year; provided, however, that goodwill attributable to the merger of L&J Marketing, Inc. with and into the Company shall not be greater than \$150,000 per annum. The amount of Net Income for each year shall be determined no later than 90 days following the end of such year. Such incentive compensation shall be paid in cash to Employee within ten (10) business days following the date of such determination, and shall be accompanied by a copy of the determination of such amount, certified by the Chief Financial Officer or Controller of Take-Two Interactive Software, Inc. (the "Parent") as having been determined in accordance with the provisions of this subparagraph 3(c).

(d) In addition to the foregoing, the Employee shall receive a bonus equal to 0.125% of the first \$20 million in combined sales of the Parent and Company for each fiscal year during each year of the Term.

4. Benefits.

(a) During the term of this Agreement, the Employee shall have the right to receive or participate in all benefits and plans which the Company and Parent may from time to time institute during such period for its employees and for which the Employee is eligible, including without limitation D&O and disability Insurance. The Company will also purchase an insurance policy on Employee's life consistent with that coverage offered by the Company from time to time to its

executive officers. Nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Employee pursuant to this Agreement.

(b) During the term of this Agreement, the Employee will be entitled to five (5) weeks of vacation time and that number of paid holidays, personal days off and sick leave days in each calendar year as are determined pursuant to the Company's Policies as in effect from time to time. Such vacation may be taken in the Employee's discretion with the prior approval of the Employer, and at such time or times as are not inconsistent with the reasonable business needs of the Company.

(c) During the term of this Agreement, the Employee shall be entitled to receive an automobile allowance of \$650.00 per month payable in accordance with Section 3(a) above. In addition, the Employer shall be responsible for providing Employee with automobile insurance.

-3-

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

(a) By action taken by the Board, the Employee may be discharged for cause (as hereinafter defined), effective as of such time as the Board shall determine. Upon discharge of the Employee pursuant to this subparagraph 5(a), the Employer shall have no further obligation or duties to the Employee, except for payment of Salary and such incentive compensation, if any, having accrued to the Employee pursuant to subparagraph 3(c) hereof through the effective date of termination, and the Employee shall have no further obligations or duties to the Employer, except as provided in Section 6.

(b) In the event of (i) the death of the Employee or (ii) by action of the Board and the inability of the Employee, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 90 days, for which 90 day period Salary and any other benefits hereunder shall not be suspended or diminished. Upon any termination of the Employee's employment under this subparagraph 5(b), the Employer shall have no further obligations or duties to the Employee except for payment of Salary and such incentive compensation, if any, having accrued to the Employee pursuant to subparagraph 3(c) hereof through the date of death or effective date of termination in the case of disability. Anything contained herein to the contrary notwithstanding, in the event of termination pursuant hereto for disability, the Employer shall pay in addition to any accrued Salary and incentive compensation, a severance payment equal to three (3) months Salary.

(c) In the event that Employee's employment with the Employer is terminated by action taken by the Board without cause, then the Employer shall have no further obligation or duties to Employee, except for payment of Salary and such incentive compensation, if any, having accrued to the Employee pursuant to subparagraph 3(b) hereof through the effective date of termination and as provided in Section 7, and Employee shall have no further obligations or duties to the Employer except as provided in Section 6 and for payment by the Company of a severance amount in the sum of \$183,500 or the Salary due and owing for the balance of the term of the agreement, whichever is less, which severance payment shall be paid, in full, to the Employee within two (2) weeks of the date of termination hereunder.

(d) For purposes of this Agreement, the Company shall have "cause" to terminate the Employee's employment under this Agreement upon (i) the failure by the Employee to substantially perform his duties under this Agreement, (ii) the engaging by the Employee in criminal misconduct (including embezzlement and criminal fraud) which is materially injurious to the Company,

-4-

monetarily or otherwise, (iii) the conviction of the Employee of a felony or (iv) gross negligence to the Company on the part of the Employee. The Company shall give written notice to the Employee, which notice shall specify the grounds for the proposed termination and the Employee shall be given thirty (30) days to cure if the grounds arise under clauses (i) through (iv) above.

6. Confidentiality; Noncompetition.

(a) The Employer and the Employee acknowledge that the services to be performed by the Employee under this Agreement are unique and extraordinary and, as a result of such employment, the Employee will be in possession of confidential information relating to the business practices of the Company, Inventory Management Systems, Inc. ("IMSI") and the Parent. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company, IMSI, the Parent or any of their respective affiliates, or any of their respective activities, other than such information which can be shown by the Employee to be in the public domain (such information not being deemed to be in the public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this subparagraph 6(a). Subject to the last sentence of this subparagraph 6(a), the Employee agrees that he will not, at any time during his employment or for a period of one (1) year following such employment, directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any confidential information regarding the clients, customers or business practices of the Company, IMSI or Parent and that Employee agrees that all confidential information shall be the sole property of the Company. In the event that Employee is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any confidential information or the fact that the confidential information has been made available to you, Employee will provide the Company with prompt written notice of such request(s) so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the provisions hereof.

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

-5-

competitive with the Parent's, IMSI's or the Company's business activities.

(c) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following such employment, directly or indirectly, take any action which constitutes an interference with or a disruption of any of the Parent's, IMSI's or Company's business activities including, without limitation, the solicitations of the Parent's, IMSI's or Company's customers, or persons listed on the personnel lists of the Parent, IMSI or Company. At no time during the term of this Agreement, or thereafter shall the Employee directly or indirectly, disparage the commercial, business or financial reputation of the Parent, IMSI or Company.

(d) For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs 6(b) and (c) above shall serve as a prohibition against him, during the period referred to therein, directly or indirectly, (i) hiring, offering to hire, enticing, soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor or licensee who has been previously contacted by either a representative of the Parent, IMSI or Company, including the Employee, to discontinue or alter his or its relationship with the Parent, IMSI or Company or (ii) enticing, soliciting or in any other manner persuading or attempting to persuade any customer who has been previously contacted by either a representative of the Parent, IMSI or Company, including the Employee, to discontinue or alter his or its relationship with the Parent, IMSI or Company for any business which competes with the business of the Company.

(e) Upon the termination of the Employee's employment for any reason whatsoever, all documents, records, notebooks, equipment, price lists, specifications, programs, customer and prospective customer lists and other materials which refer or relate to any aspect of the business of the Company, IMSI or Parent which are in the possession of the Employee including all copies thereof, shall be promptly returned to the Company.

(f) The Employee agrees that all processes, intellectual property rights, technologies and inventions relating to the business of the Parent, IMSI or Company ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, of the Parent, IMSI or the Company, or conceived, developed, invented or made by Employee during his employment by Employer, shall belong to the Company and its affiliates. The Employee shall further: (a) promptly disclose such Inventions to the Company; (b) assign to the Company, without additional compensation, all patent, copyright, trademark and other rights to such Inventions for the

-6-

United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship.

(g) The Company shall be the sole owner of all products and proceeds of the Employee's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Employee may acquire, obtain, develop or create in connection with and in the course of the Employee's employment hereunder, free and clear of any claims by the Employee (or anyone claiming under the Employee) of any kind or character whatsoever (other than the Employee's right to receive payments hereunder). The Employee shall, at the request of the Company, execute such assignments, certificates or other instruments as the Company may from time to time deem necessary or desirable to

evidence, establish, maintain, perfect, protect, enforce or defend its right, or title and interest in or to any such properties.

(h) The parties hereto hereby acknowledge and agree that (i) the Company would be irreparably injured in the event of a breach by the Employee of any of his obligations under this Section 6, (ii) monetary damages would not be an adequate remedy for any such breach, and (iii) the Company shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach.

(i) The parties hereto hereby acknowledge that, in addition to any other remedies the Company may have under subparagraph 6(h) hereof, the Company shall have the right and remedy to require the Employee to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Employee as the result of any transactions constituting a breach of any of the provisions of Section 6, and the Employee hereby agrees to account for any pay over such Benefits to the Company.

(j) Each of the rights and remedies enumerated in subparagraphs 6(h) and (i) shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(k) If any provision contained in this Section 6 is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions.

-7-

(l) If any provision contained in this Section 6 is found to be unenforceable by reason of the extent, duration or scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, scope or other provision and in its reduced form any such restriction shall thereafter be enforceable as contemplated hereby.

(m) It is the intent of the parties hereto that the covenants contained in this Section 6 shall be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought (the Employee hereby acknowledging that said restrictions are reasonably necessary for the protection of the Company). Accordingly, it is hereby agreed that if any of the provisions of this Section 6 shall be adjudicated to be invalid or unenforceable for any reason whatsoever, said provision shall be (only with respect to the operation thereof in the particular jurisdiction in which such adjudication is made) construed by limiting and reducing it so as to be enforceable to the extent permissible, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of said provision in any other jurisdiction.

7. Indemnification. The Employer shall indemnify and hold harmless the Employee against any and all expenses reasonably incurred by him in connection with or arising out of (a) the defense of any action, suit or proceeding in which he is a party, or (b) any claim asserted or threatened against him, in either case by reason of or relating to his being or having been an officer of the Company, whether or not he continues to be such an officer at the time of incurring such expenses, except insofar as such indemnification is prohibited by law. Such expenses shall include, without limitation, the fees and disbursements of attorneys of Employee's choosing (subject to the prior consent of the

Employer, which consent shall not be unreasonably withheld), amounts of judgments and amounts of any settlements, provided that such expenses are agreed to in advance by the Employer or a result of a settlement or judgment of a court or other governmental agency. The foregoing indemnification obligation is in addition to any similar obligation provided in the Employer's Certificate of Incorporation or Bylaws.

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

(a) Notices. All notices relating to this Agreement shall be in writing and shall be either personally delivered, mailed by certified mail, return receipt requested, to be delivered at such address as is indicated below, or at such other address or to the attention of such other person as the recipient has specified by prior written notice to the sending party. Notice shall be effective when received.

-8-

To the Employer: Alliance Inventory Management, Inc.
14-20B 129th Street
College Point, New York
Attention: Chairman

With copies to: Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attention: Ryan A. Brant,
Chief Executive Officer

and

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attention: Barry Rutcofsky, Esq.

To the Employee: Jay Gelman
27 Copper Beach Lane
Lawrence, NY 11354

With a copy to: Law Office of Brian J. Herman
113-20 Jamaica Avenue
Richmond Hill, New York 11418
Attention: Brian J. Herman, Esq.
Telecopier: 718-847-0025

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Employee agrees to and hereby does submit to jurisdiction before any state or federal court of record in New York City, New York, or in the state and county in which such violation may occur, at Employer's election.

(e) Warranty. Employee and Employer hereby warrant and represent that the execution of this Agreement and the discharge of its respective obligations hereunder will not

-9-

breach or conflict with any other contract, agreement, or understanding between himself or itself, as the case may be, and any other party or parties.

(f) Severability. In the event that any term or condition in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

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

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

ALLIANCE INVENTORY MANAGEMENT, INC.

By: _____
Name:
Title:

Jay Gelman

-10-

EMPLOYMENT AGREEMENT

AGREEMENT dated as of December 22, 1997 between Alliance Inventory Management, Inc. a New York corporation (the "Employer" or the "Company"), and Larry Muller (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer desires to employ the Employee as Chief Operating Officer and to be assured of his services as such on the terms and conditions hereinafter set forth; and

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

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

1. Term. Employer hereby agrees to employ Employee, and Employee hereby agrees to be so employed by Employer for a four (4) year period commencing as of the date of this Agreement (the "Effective Date") (such period being herein referred to as the "Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year") unless earlier terminated pursuant to Section 6 hereof.

2. Employee Duties.

(a) During the term of this Agreement, the Employee shall have the duties and responsibilities of Chief Operating Officer, of the Employer, reporting directly to the Chairman of the Employer and the Board of Directors of the Employer (the "Board"). It is understood that such duties and responsibilities shall be reasonably related to the Employee's position.

(b) The Employee shall devote substantially all of his business time, attention, knowledge and skills faithfully, diligently and to the best of his ability in furtherance of the business and activities of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices located at 14-20B 129th Street, College Point, New York, although the Employee may, for business reasons, be required from time to time to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

3. Compensation.

(a) Subject to adjustment for cost of living pursuant to subparagraph 3(b) hereof, the Employer shall pay the Employee a salary (the "Salary") at a rate of \$183,500 per annum in respect of each Employment Year during the Term, payable in equal installments bi-weekly, or at such other times as may mutually be agreed upon between the Employer and the Employee.

(b) Effective as of the first day of the second, third and fourth Employment Years of the Term, there shall be made a cost of living adjustment of the Salary payable hereunder. Such adjustment shall be based on the percentage difference between the Price Index (as defined herein) for the first month of

each new Employment Year and the Price Index for the Base Month (as defined herein). In the event the Price Index for the first month in any Employment Year calendar year during the Term reflects an increase over the Price Index for the Base Month, then the Salary shall be multiplied by the percentage difference between the Price Index for such first month and the Price Index for the Base Month, and the resulting sum shall be added to the Salary, effective as of such first month. Such Salary, as adjusted, shall thereafter be payable, in equal bi-weekly installments, until it is readjusted in the following Employment Year pursuant to the terms hereof. In the event any cost of living adjustment is not available as of the first month of the Employment Year, payments of Salary shall be made on the basis of the preceding Employment Year until the cost of living adjustment is available at which time the bi-weekly installment payment next due shall be computed on the basis of the cost of living adjustment increased as provided hereinabove to retroactively adjust the payments paid during such Employment Year at the previous Salary, and all subsequent bi-weekly installment payments of the Salary in such Employment Year shall be at the newly adjusted Salary. In no event shall any adjustment pursuant to this Section result in a reduction of salary rate from the prior period.

For the purpose of calculating the cost of living adjustments, the following definitions shall apply: (i) the term "Base Month" shall mean the calendar month immediately preceding the calendar month in which the Term commences; and (ii) the term "Price Index" shall mean the "Revised Consumer Price Index for Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor, for the New York, Northeastern, New Jersey, All Items, (1967 = 100) or a term "Price Index for the Base Month" shall mean the Price Index for the Base Month.

(c) The Employee shall be entitled to an incentive compensation in respect of each year during the term of this Agreement (pro rated for any partial year during the term of this Agreement) equal to 5% of Net Income (as defined

-2-

hereinbelow). The term "Net Income" means, for any applicable fiscal year, earnings of the Company before taxes, as calculated in accordance with generally accepted accounting principles applied on a basis consistent with those utilized in the preparation of the Company's financial statements for such year; provided, however, that goodwill attributable to the merger of L&J Marketing, Inc. with and into the Company shall not be greater than \$150,000 per annum. The amount of Net Income for each year shall be determined no later than 90 days following the end of such year. Such incentive compensation shall be paid in cash to Employee within ten (10) business days following the date of such determination, and shall be accompanied by a copy of the determination of such amount, certified by the Chief Financial Officer or Controller of Take-Two Interactive Software, Inc. (the "Parent") as having been determined in accordance with the provisions of this subparagraph 3(c).

(d) In addition to the foregoing, the Employee shall receive a bonus equal to 0.125% of the first \$20 million in combined sales of the Parent and Company for each fiscal year during each year of the Term.

4. Benefits.

(a) During the term of this Agreement, the Employee shall have the right to receive or participate in all benefits and plans which the Company and Parent may from time to time institute during such period for its employees and for which the Employee is eligible, including without limitation D&O and disability Insurance. The Company will also purchase an insurance policy on Employee's life consistent with that coverage offered by the Company from time to time to its

executive officers. Nothing paid to the Employee under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to the Employee pursuant to this Agreement.

(b) During the term of this Agreement, the Employee will be entitled to five (5) weeks of vacation time and that number of paid holidays, personal days off and sick leave days in each calendar year as are determined pursuant to the Company's Policies as in effect from time to time. Such vacation may be taken in the Employee's discretion with the prior approval of the Employer, and at such time or times as are not inconsistent with the reasonable business needs of the Company.

(c) During the term of this Agreement, the Employee shall be entitled to receive an automobile allowance of \$650.00 per month payable in accordance with Section 3(a) above. In addition, the Employer shall be responsible for providing Employee with automobile insurance.

-3-

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

(a) By action taken by the Board, the Employee may be discharged for cause (as hereinafter defined), effective as of such time as the Board shall determine. Upon discharge of the Employee pursuant to this subparagraph 5(a), the Employer shall have no further obligation or duties to the Employee, except for payment of Salary and such incentive compensation, if any, having accrued to the Employee pursuant to subparagraph 3(c) hereof through the effective date of termination, and the Employee shall have no further obligations or duties to the Employer, except as provided in Section 6.

(b) In the event of (i) the death of the Employee or (ii) by action of the Board and the inability of the Employee, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 90 days, for which 90 day period Salary and any other benefits hereunder shall not be suspended or diminished. Upon any termination of the Employee's employment under this subparagraph 5(b), the Employer shall have no further obligations or duties to the Employee except for payment of Salary and such incentive compensation, if any, having accrued to the Employee pursuant to subparagraph 3(c) hereof through the date of death or effective date of termination in the case of disability. Anything contained herein to the contrary notwithstanding, in the event of termination pursuant hereto for disability, the Employer shall pay in addition to any accrued Salary and incentive compensation, a severance payment equal to three (3) months Salary.

(c) In the event that Employee's employment with the Employer is terminated by action taken by the Board without cause, then the Employer shall have no further obligation or duties to Employee, except for payment of Salary and such incentive compensation, if any, having accrued to the Employee pursuant to subparagraph 3(b) hereof through the effective date of termination and as provided in Section 7, and Employee shall have no further obligations or duties to the Employer except as provided in Section 6 and for payment by the Company of a severance amount in the sum of \$183,500 or the Salary due and owing for the balance of the term of the agreement, whichever is less, which severance payment shall be paid, in full, to the Employee within two (2) weeks of the date of termination hereunder.

(d) For purposes of this Agreement, the Company shall have "cause" to

terminate the Employee's employment under this Agreement upon (i) the failure by the Employee to substantially perform his duties under this Agreement, (ii) the engaging by the Employee in criminal misconduct (including embezzlement and criminal fraud) which is materially injurious to the Company,

-4-

monetarily or otherwise, (iii) the conviction of the Employee of a felony or (iv) gross negligence to the Company on the part of the Employee. The Company shall give written notice to the Employee, which notice shall specify the grounds for the proposed termination and the Employee shall be given thirty (30) days to cure if the grounds arise under clauses (i) through (iv) above.

6. Confidentiality; Noncompetition.

(a) The Employer and the Employee acknowledge that the services to be performed by the Employee under this Agreement are unique and extraordinary and, as a result of such employment, the Employee will be in possession of confidential information relating to the business practices of the Company, Inventory Management Systems, Inc. ("IMSI") and the Parent. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company, IMSI, the Parent or any of their respective affiliates, or any of their respective activities, other than such information which can be shown by the Employee to be in the public domain (such information not being deemed to be in the public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this subparagraph 6(a). Subject to the last sentence of this subparagraph 6(a), the Employee agrees that he will not, at any time during his employment or for a period of one (1) year following such employment, directly or indirectly, use, communicate, disclose or disseminate to any person, firm or corporation any confidential information regarding the clients, customers or business practices of the Company, IMSI or Parent and that Employee agrees that all confidential information shall be the sole property of the Company.

In the event that Employee is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any confidential information or the fact that the confidential information has been made available to you, Employee will provide the Company with prompt written notice of such request(s) so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the provisions hereof.

(b) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following such employment, directly or indirectly, within any county (or adjacent county) in the State of New York or in any State within the United States or territory outside the United States in which the Company is engaged in business during the period of the Employee's employment or on the date of termination of the Employee's employment, engage, have an interest in or render any services to any business (whether as

-5-

owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) competitive with the Parent's, IMSI's or the Company's business activities.

(c) The Employee hereby agrees that he shall not, during the period of his employment and for a period of one (1) year following such employment, directly or indirectly, take any action which constitutes an interference with or a disruption of any of the Parent's, IMSI's or Company's business activities including, without limitation, the solicitations of the Parent's, IMSI's or Company's customers, or persons listed on the personnel lists of the Parent, IMSI or Company. At no time during the term of this Agreement, or thereafter shall the Employee directly or indirectly, disparage the commercial, business or financial reputation of the Parent, IMSI or Company.

(d) For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs 6(b) and (c) above shall serve as a prohibition against him, during the period referred to therein, directly or indirectly, (i) hiring, offering to hire, enticing, soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor or licensee who has been previously contacted by either a representative of the Parent, IMSI or Company, including the Employee, to discontinue or alter his or its relationship with the Parent, IMSI or Company or (ii) enticing, soliciting or in any other manner persuading or attempting to persuade any customer who has been previously contacted by either a representative of the Parent, IMSI or Company, including the Employee, to discontinue or alter his or its relationship with the Parent, IMSI or Company for any business which competes with the business of the Company.

(e) Upon the termination of the Employee's employment for any reason whatsoever, all documents, records, notebooks, equipment, price lists, specifications, programs, customer and prospective customer lists and other materials which refer or relate to any aspect of the business of the Company, IMSI or Parent which are in the possession of the Employee including all copies thereof, shall be promptly returned to the Company.

(f) The Employee agrees that all processes, intellectual property rights, technologies and inventions relating to the business of the Parent, IMSI or Company ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, of the Parent, IMSI or the Company, or conceived, developed, invented or made by Employee during his employment by Employer, shall belong to the Company and its affiliates. The Employee shall further: (a) promptly disclose such Inventions to the Company; (b) assign to

-6-

the Company, without additional compensation, all patent, copyright, trademark and other rights to such Inventions for the United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship.

(g) The Company shall be the sole owner of all products and proceeds of the Employee's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Employee may acquire, obtain, develop or create in connection with and in the course of the Employee's employment hereunder, free and clear of any claims by the Employee (or anyone claiming under the Employee) of any kind or character whatsoever (other than the Employee's right to receive payments hereunder). The Employee shall, at the request of the Company, execute such assignments, certificates or other

instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend its right, or title and interest in or to any such properties.

(h) The parties hereto hereby acknowledge and agree that (i) the Company would be irreparably injured in the event of a breach by the Employee of any of his obligations under this Section 6, (ii) monetary damages would not be an adequate remedy for any such breach, and (iii) the Company shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach.

(i) The parties hereto hereby acknowledge that, in addition to any other remedies the Company may have under subparagraph 6(h) hereof, the Company shall have the right and remedy to require the Employee to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by the Employee as the result of any transactions constituting a breach of any of the provisions of Section 6, and the Employee hereby agrees to account for any pay over such Benefits to the Company.

(j) Each of the rights and remedies enumerated in subparagraphs 6(h) and (i) shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(k) If any provision contained in this Section 6 is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions.

-7-

(l) If any provision contained in this Section 6 is found to be unenforceable by reason of the extent, duration or scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, scope or other provision and in its reduced form any such restriction shall thereafter be enforceable as contemplated hereby.

(m) It is the intent of the parties hereto that the covenants contained in this Section 6 shall be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought (the Employee hereby acknowledging that said restrictions are reasonably necessary for the protection of the Company). Accordingly, it is hereby agreed that if any of the provisions of this Section 6 shall be adjudicated to be invalid or unenforceable for any reason whatsoever, said provision shall be (only with respect to the operation thereof in the particular jurisdiction in which such adjudication is made) construed by limiting and reducing it so as to be enforceable to the extent permissible, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of said provision in any other jurisdiction.

7. Indemnification. The Employer shall indemnify and hold harmless the Employee against any and all expenses reasonably incurred by him in connection with or arising out of (a) the defense of any action, suit or proceeding in which he is a party, or (b) any claim asserted or threatened against him, in either case by reason of or relating to his being or having been an officer of the Company, whether or not he continues to be such an officer at the time of incurring such expenses, except insofar as such indemnification is prohibited by law. Such expenses shall include, without limitation, the fees and disbursements

of attorneys of Employee's choosing (subject to the prior consent of the Employer, which consent shall not be unreasonably withheld), amounts of judgments and amounts of any settlements, provided that such expenses are agreed to in advance by the Employer or a result of a settlement or judgment of a court or other governmental agency. The foregoing indemnification obligation is in addition to any similar obligation provided in the Employer's Certificate of Incorporation or Bylaws.

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

(a) Notices. All notices relating to this Agreement shall be in writing and shall be either personally delivered, mailed by certified mail, return receipt requested, to be delivered at such address as is indicated below, or at such other address or to the attention of such other person as the recipient has specified by prior written notice to the sending party. Notice shall be effective when received.

-8-

To the Employer: Alliance Inventory Management, Inc.
14-20B 129th Street
College Point, New York
Attention: Chairman

With copies to: Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attention: Ryan A. Brant,
Chief Executive Officer

and

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attention: Barry Rutcofsky, Esq.

To the Employee: Larry Muller
61 Hearthstone Drive
Dix Hills, NY 11746

With a copy to: Law Office of Brian J. Herman
113-20 Jamaica Avenue
Richmond Hill, New York 11418
Attention: Brian J. Herman, Esq.
Telecopier: 718-847-0025

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Employee agrees to and hereby does submit to jurisdiction before any state or federal court of record in New York City, New York, or in the state and county in which such violation may occur, at Employer's election.

(e) Warranty. Employee and Employer hereby warrant and represent that the execution of this Agreement and the discharge of its respective obligations hereunder will not

-9-

breach or conflict with any other contract, agreement, or understanding between himself or itself, as the case may be, and any other party or parties.

(f) Severability. In the event that any term or condition in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable term or condition had never been contained herein.

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

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

ALLIANCE INVENTORY MANAGEMENT, INC.

By: _____

Name:
Title:

Larry Muller

-10-

Terms Sheet

Borrower: Inventory Management Systems, Inc.
Alliance Inventory Management, Inc.

Purpose: Finance working capital needs

Loan Amount: \$5,000,000

Loan Type: Line of Credit

Interest Rate:

Prime Rate: NationsBank's Prime Rate plus .75%, varying from time to time on the day of each change in NationsBank's Prime Rate.

Usage Fee Borrower will pay a quarterly fee of .20% of the average daily unused portion of the Loan during the previous quarter. The Borrower may at any time reduce the amount of the Loan and the obligation to pay a usage fee shall thereupon be reduced correspondingly.

Repayment:

Interest accrued on the outstanding principal balance, payable monthly.

Principal, payable in full at maturity at 5/31/98.

Prepayment Penalties:

Prepayments may be made in whole or in part at any time on any Loan for which the Rate is based on the Prime Rate or LIBOR.

Collateral:

Personal Property: A first priority security interest in all accounts receivable chattel paper, fixtures inventory, equipment, general intangibles owned by Borrower or hereafter acquired and all replacements and substitutions thereof and proceeds thereof.

Requirements Related to Collateral:

Commercial Credit Services Audit

The loan will be governed by a Borrowing Base Agreement. An audit by the Bank's Commercial Credit Services department at the Borrower's expense, must be performed before the proposed loan could be closed and before the details of the Borrowing Base can be defined. Those details include eligibility of and advance rates on receivables and inventory, the type of reporting required, the frequency of that reporting and the frequency of required subsequent audits.

To the extent the total of advances outstanding hereunder at any time exceeds the Borrowing Base, Borrower shall immediately prepay this Loan to such extent.

SURVIVAL

This commitment letter shall constitute a Loan Document and shall survive the execution and delivery of the definitive Loan Documents.

EXPIRATION/RENEWAL CLAUSES:

Any commitment to advance funds under the Loan shall expire on May 31, 1998 and

the Bank shall have no further obligation to extend credit. Any renewal, extension of maturity and/or expiration date, or increase in amount of this Loan by the Bank shall be governed by the terms of this commitment unless otherwise agreed to by the Bank, in writing.

CONDITIONS TO FIRST ADVANCE:

Prior to the making by the Bank of the first advance to the Borrower, the following conditions precedent shall have been satisfied.

The Bank shall have received, duly executed, all Loan Documents and any other documents and instruments necessary or advisable in connection with the Loan, all of which shall be in form and substance satisfactory to the Bank and its counsel.

The financing statements, notices and other documents and instruments deemed by the Bank and its counsel to be necessary or advisable in connection with the collateral described herein shall have been recorded or filed in all necessary places by closing.

CONDITIONS TO EACH ADVANCE:

Prior to the disbursement by the Bank of any advances to Borrower under this Loan, the Bank shall have determined that there shall exist no event of default except those that Bank has agreed in writing to forbear; the representations and warranties contained in the Loan documents shall be true and accurate as of the date of such advance; there shall have occurred no material adverse change in the financial condition of the Borrower or any other person liable for repayment of the Loan; and the Bank shall have determined that the prospect of payment or performance of the Loan has not been materially impaired.

Guarantors:

Take-two Interactive Software, Inc.

Reporting Requirements: The Borrower will submit to the Bank the following:

1. QUARTERLY within 60 days of the end of each QUARTER, internally prepared financial statements of the Borrower, including a balance sheet and income statements; and
2. Annually, within one hundred fifty (150) days following the end of the Borrower's fiscal year, a balance sheet and income statement prepared in accordance with generally

accepted accounting principles on an audited basis by an independent certified public accountant acceptable to the Bank, including statements of financial condition, income, cash flows and changes in shareholders' equity.

3. Reports showing a detailed aging of accounts receivable, an inventory accounting and a borrowing base certificate as defined in the borrowing base agreement.
4. An audit by the Bank's Commercial Credit Services department. Said audit would determine the frequency of such reporting and the need for subsequent audits.
5. In addition, the Borrower shall submit a projected balance sheet prior to closing, reflecting the acquisition of L&J Marketing d/b/a Alliance Distributors.

The Guarantor will submit to the Bank the following:

1. Annually, within one hundred fifty (150) days following the end of the Guarantor's fiscal year, a balance sheet and income statement prepared in accordance with generally accepted accounting principles on an audited basis by an independent certified public accountant acceptable to the Bank, including statements of financial condition, income, cash flows and changes in shareholders' equity.

2. Quarterly 10Q's

Financial Covenants:

Tangible Capital Funds:

Upon receipt of the projected balance sheet, a minimum Tangible Capital Funds covenant will be established.

Tangible Capital Funds shall be as defined by Generally Accepted Accounting Principles.

REPRESENTATIONS AND WARRANTIES:

Good Standing. Borrower is a corporation, duly organized, validly existing and in good standing and has the power and authority to own its property and to carry on its business in each jurisdiction in which Borrower does business.

Authority and Compliance. Borrower has full power and authority to execute and deliver the Loan Documents and to incur and perform the obligations provided for therein, all of which have been duly authorized by all proper and necessary action of the appropriate governing body of Borrower. Borrower is in compliance with all laws and regulatory requirements to which it is subject.

Binding Agreement. This Agreement and the other Loan Documents executed by Borrower constitute valid and legally binding obligations of Borrower, enforceable in accordance with their terms.

4

Litigation. There is no proceeding involving Borrower pending or, to the knowledge of Borrower, threatened before any court or governmental authority, agency or arbitration authority, except as disclosed to Bank in writing and acknowledged by Bank prior to the date of this Agreement.

No Conflicting Agreements. There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement and the other Loan Documents.

Ownership of Assets. Borrower has good title to its assets, and its assets are free and clear of liens, except those granted to Bank and as disclosed to Bank in writing prior to the date of this Agreement.

Taxes. All taxes and assessments due and payable by Borrower have been paid or are being contested in good faith by appropriate proceedings and the Borrower has filed all tax returns which it is required to file.

Financial Statements. The financial statements of Borrower heretofore delivered to Bank have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved and fairly present Borrower's financial condition as of the date or dates thereof, and there has been no material adverse change in Borrower's financial condition or operations since October 31, 1997.

Environmental Compliance. The conduct of Borrower's business operations and the condition of Borrower's property does not and will not violate any federal laws, rules or ordinances for environmental protection, regulations of the Environmental Protection Agency and any applicable local or state law, rule, regulation or rule of common law and any judicial interpretation thereof relating primarily to the environment or Hazardous Materials.

Continuation of Representation and Warranties. All representations and warranties made under this Letter of Commitment shall be deemed to be made at and as of the date hereof and at and as of the date of any advance under any Loan.

AFFIRMATIVE COVENANTS:

Until full payment and performance of all obligations of Borrower under the Loan Documents, Borrower will, without limiting any requirement of any other Loan Documents:

- Comply with all statutes and government regulations in all material respects
- Pay all taxes when due.
- Maintain its corporate existence.
- Maintain insurance in amounts and with coverage's acceptable to the Bank.
- Maintain its property in good condition.

From time to time provide the Bank with such other information as the Bank may reasonably request and allow the Bank to inspect all records and property as it may reasonably request.

Continue to operate its business.

Inform Bank of potential or contingent liabilities in excess of \$100,000 not incurred in ordinary course of business.

Investments limited to United States government obligations or subsidiary stock.

NEGATIVE COVENANTS:

Until full payment and performance of all obligations of Borrower under the Loan Documents, Borrower will not, without the prior written consent of Bank (and without limiting any requirement of any other Loan Documents):

Make any material change in the management or ownership.

Sell, lease, assign or otherwise dispose of or transfer any assets, except in the normal course of its business, or enter into any merger or consolidation, or transfer control or ownership of the Borrower or from or acquire any subsidiary.

Grant, suffer or permit any contractual or noncontractual lien on or security interest in its assets, except in favor of Bank, or fail to promptly pay when due all lawful claims, whether for labor, materials or otherwise.

Make any loan or advance to any individual, partnership, corporation or other entity in the aggregate of \$30,000.00 in each fiscal year and not already disclosed to the Bank.

Create, incur, assume or become liable in any manner for any indebtedness (for borrowed money, deferred payment for the purchase of assets, lease payments, as surety or guarantor for the debt for another, or otherwise) other than to Bank, except for normal trade debts incurred in the ordinary course of Borrower's business and except for existing indebtedness disclosed to Bank in writing and acknowledged by Bank prior to the date of this Agreement.

Make any distribution (other than dividends payable in capital stock of Borrower) on any shares of any class of its common stock or apply any of its property or assets to the purchase, redemption or other retirement of any shares

of any class of common stock of or any partnership interest in Borrower if such distribution shall cause the Borrower to be in default of its financial covenants.

EVENTS OF DEFAULT:

The Borrower shall be in default under this Commitment and under any and all promissory notes executed by Borrower in favor of Bank and any and all other documents, instruments, deeds of trust, mortgages, security agreements, guarantees executed and or delivered by Borrower in connection with the Loan if it shall default in the payment of any amounts due and owing under the Loan and such payment default is not cured within ten (10) days or should it fail to timely and properly perform, keep and observe any other item, covenant, agreement or condition in any Commitment made to Borrower or any of the Loan Documents and such failure is not

6

cured within thirty (30) days, or the failure to pay or perform any obligations, liability or indebtedness of Borrower or any endorser hereof to any affiliate of Bank which failure is not cured within any applicable cure period under any other agreement, note or instrument now or hereafter existing whether upon demand, at maturity or by acceleration.

REMEDIES UPON DEFAULT

If an event of default shall occur Bank shall have all rights, powers and remedies available under each of the loan Documents as well as all rights and remedies available at law or in equity.

CLOSING COSTS AND EXPENSES:

The Borrower shall pay all costs and expenses incurred by the Bank in connection with the Bank's review, due diligence and closing of the Loans, including attorney's fees (to include outside counsel fees and all allocated costs of Bank's in-house Counsel if permitted by applicable law) incurred by the Bank in connection with the negotiation and preparation of the Loan Documents, the costs of any environmental investigation and audit, appraisal, title insurance premiums, survey and inspection fees, field exam of collateral, whether or not the Loans actually close.

MATERIAL ADVERSE CHANGE:

This commitment may be terminated, in the sole discretion of the Bank, upon the occurrence of a material adverse change in the financial condition of the Borrower or any other person liable to the Bank for the repayment of this loan.

GOVERNING LAW:

This commitment and the Loan shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia (without regard to choice of law principles).

NON-ASSIGNABLE:

This commitment and the right of Borrower to receive loans hereunder may not be assigned by Borrower.

ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS

INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE AND ANY SUCCESSOR THEREOF (J.A.M.S.), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS AGREEMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL

7

ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

A. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE CITY OF THE BORROWER'S DOMICILE AT TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

B. RESERVATION OF RIGHTS. NOTHING IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS AGREEMENT; OR (II) BE A WAIVER BY THE BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF THE BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. THE BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES..

EXPIRATION:

This commitment is to be closed within fifteen (15) days of the acceptance date. Should this commitment not be accepted by the expiration date or such later date agreed to in writing, and not closed within fifteen (15) days of the acceptance date, then the Bank shall have no further obligation to extend credit hereunder.

8

The terms and conditions set forth above are accepted this _____ day of _____, 19__.

Inventory Management Systems, Inc.

By: David P. Clark

Title: President

Alliance Inventory Management, Inc.

By: Ryan A. Brant

Title: Director/CEO

Guarantor:
Take-Two Interactive Software, Inc.

By: Ryan A. Brant

Title: CEO

NationsBank, N.A.

Promissory Note

Date December 23, 1997 Maturity Date May 31, 1998
[] New [x] Renewal Amount \$ 5,000,000.00

=====
Bank:

Borrower:

NationsBank, N.A.

Banking Center:

Mid-Atlantic Commercial Banking
1111 East Main Street
Richmond, VA 23219-3500

INVENTORY MANAGEMENT SYSTEMS, INC.
AND ALLIANCE INVENTORY MANAGEMENT,
INC.
2900 Polo Parkway
Midlothian, VA 23113

County: Independent City of Richmond

County: Chesterfield
=====

FOR VALUE RECEIVED, the undersigned Borrower unconditionally (and jointly and severally, if more than one) promises to pay to the order of Bank, its successors and assigns, without setoff, at its offices indicated at the beginning of this Note, or at such other place as may be designated by Bank, the principal amount of ----FIVE MILLION AND NO/100----Dollars (\$5,000,000.00), or

so much thereof as may be advanced from time to time in immediately available funds, together with interest computed daily on the outstanding principal balance hereunder, at an annual interest rate, and in accordance with the payment schedule, indicated below.

[This Note contains some provisions preceded by boxes. If a box is marked, the provision applies to this transaction; if it is not marked, the provision does not apply, to this transaction.]

1. Rate

Prime Rate. The Rate shall be the Prime Rate, plus 0.75 percent, per annum. The "Prime Rate" is the fluctuating rate of interest established by Bank from time to time, at its discretion, whether or not such rate shall be otherwise published. The Prime Rate is established by Bank as an index and may or may not at any time be the best or lowest rate charged by Bank on any loan.

Notwithstanding any provision of this Note, Bank does not intend to charge and Borrower shall not be required to pay any amount of interest or other charges in excess of the maximum permitted by the applicable law of the Commonwealth of Virginia; if any higher rate ceiling is lawful, then that higher rate ceiling shall apply. Any payment in excess of such maximum shall be refunded to Borrower or credited against principal, at the option of Bank.

2. Accrual Method. Unless otherwise indicated, interest at the Rate set forth above will be calculated by the 365/360 day method (a daily amount of interest is computed for a hypothetical year of 360 days; that amount is multiplied by the actual number of days for which any principal is outstanding hereunder). If interest is not to be computed using this method, the method shall be: N/A.

3. Rate Change Date. Any Rate based on a fluctuating index or base rate will change, unless otherwise provided, each time and as of the date that the index or base rate changes. If the Rate is to change on any other date or at any other interval, the change shall be: N/A.

In the event any index is discontinued, Bank shall substitute an index determined by Bank to be comparable, in its sole discretion.

4. Payment Schedule. All payments received hereunder shall be applied first to the payment of any expense or charges payable hereunder or under any other loan documents executed in connection with this Note, then to interest due end payable, with the balance applied to principal, or in such other order as Bank shall determine at its option.

Single Principal Payment. Principal shall be paid in full in a single payment on May 31, 1998. Interest thereon shall be paid monthly commencing on January 31, 1998, and continuing on the same day of each successive month thereafter, with a final payment of all unpaid interest at the stated maturity of this Note.

5. Revolving Feature.

Borrower may borrow, repay and reborrow hereunder at any time, up to a maximum aggregate amount outstanding at any one time equal to the principal amount of this Note, provided, that Borrower is not in default under any provision of this Note, any other documents executed in connection with this Note, or any other note or other loan documents now or hereafter executed in connection with any other obligation of Borrower to Bank, and provided that the borrowings hereunder do not exceed any borrowing base or other limitation on borrowings by Borrower. Bank shall incur no liability for its refusal to advance funds based upon its determination that any conditions of such further advances have not been met. Bank records of the amounts borrowed from time to time shall be conclusive proof thereof.

Uncommitted Facility. Borrower acknowledges and agrees that, notwithstanding any provisions of this Note or any other documents executed in connection with this Note, Bank has no obligation to make any advance, and that all advances are at the sole discretion of Bank.

Out-Of-Debt Period. For a period of at least ___ consecutive days during each fiscal year, any consecutive 12-month period, Borrower shall fully pay down the balance of this Note, so that no amount of principal or interest and no other obligation under this Note remains outstanding.

6. Automatic Payment.

Borrower has elected to authorize Bank to effect payment of sums due under this Note by means of debiting Borrower's account number 4113623802. This authorization shall not effect the obligation of Borrower to pay such sums when due, without notice, if there are insufficient funds in such account to make such payment in full on

VA041

1

Approved: 09-21-95

Revised: 06-26-96

the due date thereof, or if Bank fails to debit the account.

7. Waivers, Consents and Covenants. Borrower, any indorser, or guarantor hereof or any other party hereto (individually an "Obligor" and collectively "Obligors") and each of them jointly and severally: (a) waive presentment, demand, protest, notice of demand, notice of intent to accelerate, notice of acceleration of maturity, notice of protest, notice of nonpayment, notice of dishonor, and any other notice required to be given under the law to any Obligor in connection with the delivery, acceptance, performance, default or enforcement of this Note, any indorsement or guaranty of this Note, or any other documents executed in connection with this Note or any other note or other loan documents now or hereafter executed in connection with any obligation of Borrower to Bank (the "Loan Documents"); (b) consent to all delays, extensions, renewals or other modifications of this Note or the Loan Documents, or waivers of any term hereof or of the Loan Documents, or release or discharge by Bank of any of Obligors, or release, substitution or exchange of any security for the payment hereof, or the failure to act on the part of Bank, or any indulgence shown by Bank (without notice to or further assent from any of Obligors), and agree that no such action, failure to act or failure to exercise any right or remedy by Bank shall in any way effect or impair the obligations of any Obligors or be construed as a waiver by Bank of, or otherwise affect, any of Bank's rights under this Note, under any indorsement or guaranty of this Note or under any of the Loan Documents; and (c) agree to pay, on demand, all costs and expenses of collection or defense of this Note or of any indorsement or guaranty hereof and/or the enforcement or defense of Bank's rights with respect to, or the administration, supervision, preservation, protection of, or realization upon, any property securing payment hereof, including, without limitation, reasonable attorney's fees, including fees related to any suit, mediation or arbitration proceeding, out of court payment agreement, trial, appeal, bankruptcy proceedings or other proceeding as may be determined reasonable by any arbitrator or court.

8. Prepayments. Prepayments may be made in whole or in part at any time on any loan for which the Rate is based on the Prime Rate. All prepayments of principal shall be applied in the inverse order of maturity, or an such other order as Bank shall determine in its sole discretion. No prepayment of any other loan shall be permitted without the prior written consent of Bank. Notwithstanding such prohibition, if there is a prepayment of any such loan, whether by consent of Bank, or because of acceleration or otherwise, Borrower shall, within 15 days of any request by Bank, pay to Bank any loss or expense which Bank may incur or sustain as a result of such prepayment. For the purposes of calculating the amounts owed only, it shall be assumed that Bank actually funded or committed to fund the loan through the purchase of an underlying deposit in an amount and for a term comparable to the loan, and such determination by Bank shall be conclusive, absent a manifest error in computation.

9. Delinquency Charge. To the extent permitted by law, a delinquency charge may be imposed in an amount not to exceed four percent (4%) of any payment that is more than fifteen days late.

10. Events of Default. The following are events of default hereunder: (a) the failure to pay or perform any obligation, liability or indebtedness of any Obligor to Bank, or to any affiliate or subsidiary of NationsBank Corporation, whether under this Note or any Loan Documents, as and when due (whether upon demand, at maturity or by acceleration); (b) the failure to pay or perform any other obligation, liability or indebtedness of any Obligor to any other party, (c) the death of any Obligor (if an individual); (d) the resignation or withdrawal of any partner or a material owner/Guarantor of Borrower, as determined by Bank in its sole discretion; (e) the commencement of a proceeding against any Obligor for dissolution or liquidation, the voluntary or involuntary termination or dissolution of any Obligor or the merger or consolidation of any Obligor with or into another entity; (f) the insolvency of, the business failure of, the appointment of a custodian, trustee, liquidator or receiver for or for any of the property of, the assignment for the benefit of creditors by, or the filing of a petition under bankruptcy, insolvency or debtor's relief law or the filing of a petition for any adjustment of indebtedness, composition or extension by or against any Obligor; (g) the determination by Bank that any representation or warranty made to Bank by any Obligor in any Loan Documents or otherwise is or was, when it was made, untrue or materially misleading; (h) the failure of any Obligor to timely deliver such financial statements, including tax returns, other statements of condition or other information, as Bank shall request from time to time; (i) the entry of a judgment against any Obligor which Bank deems to be of a material nature, in Bank's sole discretion; (j) the seizure or forfeiture of, or the issuance of any writ of possession, garnishment, or attachment, or any turnover order for any property of any Obligor; (k) the determination by Bank that it is insecure for any reason; (l) the determination by Bank that a material adverse change has occurred in the financial condition of any Obligor; or (m) the failure of Borrower's business to comply with any law or regulation controlling its operation.

11. Remedies upon Default. Whenever there is a default under this Note (a) the entire balance outstanding hereunder and all other obligations of any Obligor to Bank (however acquired or evidenced) shall, at the option of Bank, become immediately due and payable and any obligation of Bank to permit further borrowing under this Note shall immediately cease and terminate, and/or (b) to the extent permitted by law, the Rate of interest on the unpaid principal shall be increased at Bank's discretion up to the maximum rate allowed by law, or if none, 25% per annum (the "Default Rate"). The provisions herein for a Default Rate shall not be deemed to extend the time for any payment hereunder or to constitute a "grace period" giving Obligors a right to cure any default. At Bank's option, any accrued and unpaid interest, fees or charges may, for purposes of computing and accruing interest on a daily basis after the due date of the Note or any installment thereof, be deemed to be a part of the principal balance, and interest shall accrue on a daily compounded basis after such date at the Default Rate provided in this Note until the entire outstanding balance of principal and interest is paid in full. Bank is hereby authorized at any time to set off and charge against any deposit accounts of any Obligor, as well as any money, instruments, securities, documents, chattel paper, credits, claims, demands, income and any other property, rights and interests of any Obligor which at any time shall come into the possession or custody or under the control of Bank or any of its agents, affiliates or correspondents, without notice or demand, any and all obligations due hereunder. Additionally, Bank shall have all rights and remedies available under each of the Loan Documents, as well as all rights and remedies available at law or in equity.

12. Non-waiver. The failure at any time of Bank to exercise any of its options or any other rights hereunder shall not constitute a waiver thereof, nor shall it be a bar to the exercise of any of its options or rights at a later date. All rights and remedies of Bank shall be cumulative and may be pursued singly, successively or together, at the option of Bank. The acceptance by Bank of any partial payment shall not constitute a waiver of any default or of any of Bank's rights under this Note. No waiver of any of its rights hereunder, and no modification or amendment of this Note, shall be deemed to be made by Bank unless the same shall be in writing, duly signed on behalf of Bank; each such waiver shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Bank or the obligations of Obligor to Bank in any other respect at any other time.

13. Applicable Law, Venue and Jurisdiction. This Note and the rights and obligations of Borrower and Bank shall be governed by and interpreted in accordance with the law of the Commonwealth of Virginia. In any litigation in connection with or to enforce this Note or any indorsement or guaranty of this Note or any Loan Documents, Obligors, and each of them, irrevocably consent to and confer personal jurisdiction on the courts of the Commonwealth of Virginia or the United States located within the Commonwealth of Virginia and expressly waive any objections as to venue in any such courts. Nothing contained herein shall, however, prevent Bank from bringing any action or

VA041

2

Approved: 09-21-95

Revised: 06-26-96

exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available under applicable law.

14. Partial Invalidity. The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of this Note or of the Loan Documents to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

15. Binding Effect. This Note shall be binding upon and inure to the benefit of Borrower, Obligors and Bank and their respective successors, assigns, heirs and personal representatives, provided, however, that no obligations of Borrower or Obligors hereunder can be assigned without prior written consent of Bank.

16. Controlling Document. To the extent that this Note conflicts with or is in any way incompatible with any other Loan Document concerning this obligation, the Note shall control over any other document, and if the Note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

17. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF (J.A.M.S.), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

A. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

B. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY

COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

Borrower represents to Bank that the proceeds of this loan are to be used primarily for business, commercial or agricultural purposes. Borrower acknowledges having read and understood, and agrees to be bound by, all terms and conditions of this Note and hereby executes this Note under seal as of the date here above written.

NOTICE OF FINAL AGREEMENT. THIS WRITTEN PROMISSORY NOTE REPRESENTS THIS FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS.

Corporate or Partnership Borrower
INVENTORY MANAGEMENT SYSTEMS, INC.

By: /s/ David P. Clark (Seal)

Name: DAVID P. CLARK
Title: PRESIDENT

/s/ Barbara A. Ras

Attest (If Applicable)

(Corporate Seal)

ALLIANCE INVENTORY MANAGEMENT, INC.

By: /s/ David P. Clark (Seal)

Name:
Title:

Pres.

Attest (If Applicable)

[Corporate Seal]

VAO41

3

Approved: 09-21-95
Revised: 06-26-96

NationsBank, N.A.

Customer # 533966

Date December 23, 1997

Security Agreement

Bank/Secured Party:

Debtor(s)/Pledgor(s):

NationsBank, N.A.

Banking Center:

Mid-Atlantic Commercial Banking
1111 East Main Street
Richmond, VA 23219-3500

INVENTORY MANAGEMENT SYSTEMS, INC.
2900 Polo Parkway
Midlothian, VA 23113

County: Independent City of Richmond

County: Chesterfield

Debtor/Pledgor is: Corporation

Address is Debtor's: Place of Business

Collateral (hereinafter defined) is located at: Virginia

1. Security Interest. For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor/Pledgor (hereinafter referred to as "Debtor") assigns and grants to Bank (also known as Secured Party), a security interest and lien in the Collateral (hereinafter defined) to secure the payment and the performance of the Obligation (hereinafter defined).

2. Collateral. A security interest is granted in the following collateral described in this Item 2 (the "Collateral"):

A. Types of Collateral

Accounts: Any and all accounts and other rights of Debtor to the payment for goods sold or leased or for services rendered whether or not earned by performance, including, without limitation, contract rights, book debts, checks, notes, drafts, instruments, chattel paper, acceptances, and any and all amounts due to Debtor from a factor or other forms of obligations and receivables, now existing or hereafter arising.

Inventory:

Blanket Lien: Any and all of Debtor's goods held as inventory, whether now owned or hereafter acquired, including without limitation, any and all such goods held for sale or lease or being processed for sale or lease in Debtor's business, as now or hereafter conducted, including all materials, goods and work in process, finished goods and other tangible property held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Debtor's business, along with all documents (including documents of title) covering such inventory including the following (attach schedule if necessary): n/a

B. Substitutions, Proceeds and Related Items. Any and all substitutes and replacements for, accessions, attachments and other additions to, tools, parts and equipment now or hereafter added to or used in connection with, and all cash or non-cash proceeds and products of, the Collateral (including, without limitation, all income, benefits and property receivable, received or distributed which results from any of the Collateral, such as dividends payable or distributable in cash, property or stock; insurance distributions of any kind related to the Collateral, including, without limitation, returned premiums, interest, premium and principal payments, redemption proceeds and subscription rights; and shares or other proceeds of conversions or splits of any securities in the Collateral); any and all choses in action and causes of action of Debtor, whether now existing or hereafter arising, relating directly or indirectly to the Collateral (whether arising in contract, tort or otherwise and whether or not currently in litigation); all certificates of title, manufacturer's

statements of origin, other documents, accounts and chattel paper, whether now existing or hereafter arising directly or indirectly from or related to the Collateral; all warranties, wrapping, packaging, advertising and shipping materials used or to be used in connection with or related to the Collateral; all of Debtor's books, records, data, plans, manuals, computer software, computer tapes, computer systems, computer disks, computer programs, source codes and object codes containing any information, pertaining directly or indirectly to the Collateral and all rights of Debtor to retrieve data and other information pertaining directly or indirectly to the Collateral from third parties, whether now existing or hereafter arising; and all returned, refused, stopped in transit, or repossessed Collateral, any of which, if received by Debtor, upon request shall be delivered immediately to Bank.

C. Balances and Other Property. The balance of every deposit account of Debtor maintained with Bank and any other claim of Debtor against Bank, now or hereafter existing, liquidated or unliquidated, and all money, instruments, securities, documents, chattel paper, credits, claims, demands, income, and any other property, rights and interests of Debtor which at any time shall come into the possession or custody or under the control of Bank or any of its agents or affiliates for any purpose, and the proceeds of any thereof. Bank shall be deemed to have possession of any of the Collateral in transit to or set apart for it or any of its agents or affiliates.

3. Description of Obligation(s). The following obligations ("Obligation" or "Obligations") are secured by this Agreement: (a) All debts, obligations, liabilities and agreements of Debtor to Bank, now or hereafter existing, arising directly or indirectly between Debtor and Bank whether absolute or contingent, joint or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, and all renewals, extensions or rearrangement of any of the above; (b) All costs incurred by Bank to obtain, preserve, perfect and enforce this Agreement and maintain, preserve, collect and realize upon the Collateral; (c) All debt, obligations and liabilities of Alliance Inventory Management, Inc. to Bank of the kinds described in this Item 3, now existing or hereafter arising; (d) All other costs and attorney's fees incurred by Bank, for which Debtor is obligated to reimburse Bank in accordance with the terms of the Loan Documents (hereinafter defined), together with interest at the maximum rate allowed by law, or if none, 25% per annum; and (e) All amounts which may be owed to Bank pursuant to all other Loan Documents executed between Bank and any other Debtor. If Debtor is not the obligor of the Obligation, and in the

VAO7I

1

Approved: 7/01/95

Revised: 6/28/96

event any amount paid to Bank on any Obligation is subsequently recovered from Bank in or as a result of any bankruptcy, insolvency or fraudulent conveyance proceeding, Debtor shall be liable to Bank for the amounts so recovered up to the fair market value of the Collateral whether or not the Collateral has been released or the security interest terminated. In the event the Collateral has been released or the security interest terminated, the fair market value of the Collateral shall be determined, at Bank's option, as of the date the Collateral was released, the security interest terminated, or said amounts were recovered.

4. Debtor's Warranties. Debtor hereby represents and warrants to Bank as follows:

A. Financing Statements. Except as may be noted by schedule attached hereto and incorporated herein by reference, no financing statement covering the Collateral is or will be on file in any public office, except the financing statements relating to this security interest, and no security interest, other than the one herein created, has attached or been perfected in the Collateral or any part thereof.

B. Ownership. Debtor owns, or will use the proceeds of any loans by Bank to become the owner of, the Collateral free from any setoff, claim, restriction, lien, security interest or encumbrance except liens for taxes not yet due and

the security interest hereunder.

C. Fixtures and Accessions. None of the Collateral is affixed to real estate or is an accession to any goods, or will become a fixture or accession, except as expressly set out herein.

D. Claims of Debtors on the Collateral. All account debtors and other obligors whose debts or obligations are part of the Collateral have no right to setoffs, counterclaims or adjustments, and no defenses in connection therewith.

E. Environmental Compliance. The conduct of Debtor's business operations and the condition of Debtor's property does not and will not violate any federal laws, rules or ordinances for environmental protection, regulations of the Environmental Protection Agency and any applicable local or state law, rule, regulation or rule of common law and any judicial interpretation thereof relating primarily to the environment or any material defined as hazardous materials or substances under any local, state or federal environmental laws, rules or regulations, and petroleum, petroleum products, oil and asbestos ("Hazardous Materials").

F. Power and Authority. Debtor has full power and authority to make this Agreement, and all necessary consents and approvals of any persons, entities, governmental or regulatory authorities and securities exchanges have been obtained to effectuate the validity of this Agreement.

5. Debtor's Covenants. Until full payment and performance of all of the Obligation and termination or expiration of any obligation or commitment of Bank to make advances or loans to Debtor, unless Bank otherwise consents in writing:

A. Obligation and This Agreement. Debtor shall perform all of its agreements herein and in any other agreements between it and Bank.

B. Ownership and Maintenance of the Collateral. Debtor shall keep all tangible Collateral in good condition. Debtor shall defend the Collateral against all claims and demands of all persons at any time claiming any interest therein adverse to Bank. Debtor shall keep the Collateral free from all liens and security interests except those for taxes not yet due and the security interest hereby created.

C. Insurance. Debtor shall insure the Collateral with companies acceptable to Bank. Such insurance shall be in an amount not less than the fair market value of the Collateral and shall be against such casualties, with such deductible amounts as Bank shall approve. All insurance policies shall be written for the benefit of Debtor and Bank as their interests may appear, payable to Bank as loss payee, or in other form satisfactory to Bank, and such policies or certificates evidencing the same shall be furnished to Bank. All policies of insurance shall provide for written notice to Bank at least thirty (30) days prior to cancellation. Risk of loss or damage is Debtor's to the extent of any deficiency in any effective insurance coverage.

D. Bank's Costs. Debtor shall pay all costs necessary to obtain, preserve, perfect, defend and enforce the security interest created by this Agreement, collect the Obligation, and preserve, defend, enforce and collect the Collateral, including but not limited to taxes, assessments, insurance premiums, repairs, rent, storage costs and expenses of sales, legal expenses, reasonable attorney's fees and other fees or expenses for which Debtor is obligated to reimburse Bank in accordance with the terms of the Loan Documents. Whether the Collateral is or is not in Bank's possession, and without any obligation to do so and without waiving Debtor's default for failure to make any such payment, Bank at its option may pay any such costs and expenses, discharge encumbrances on the Collateral, and pay for insurance of the Collateral, and such payments shall be a part of the Obligation and bear interest at the rate set out in the Obligation. Debtor agrees to reimburse Bank on demand for any costs so incurred.

E. Information and Inspection. Debtor shall (i) promptly furnish Bank any information with respect to the Collateral requested by Bank; (ii) allow Bank or its representatives to inspect the Collateral, at any time and wherever located, and to inspect and copy, or furnish Bank or its representatives with copies of,

all records relating to the Collateral and the Obligation; (iii) promptly furnish Bank or its representatives such information as Bank may request to identify the Collateral, at the time and in the form requested by Bank; and (iv) deliver upon request to Bank shipping and delivery receipts evidencing the shipment of goods and invoices evidencing the receipt of, and the payment for, the Collateral.

F. Additional Documents. Debtor shall sign and deliver any papers deemed necessary or desirable in the judgment of Bank to obtain, maintain, and perfect the security interest hereunder and to enable Bank to comply with any federal or state law in order to obtain or perfect Bank's interest in the Collateral or to obtain proceeds of the Collateral.

G. Parties Liable on the Collateral. Debtor shall preserve the liability of all obligors on any Collateral, shall preserve the priority of all security therefor, and shall deliver to Bank the original certificate's of title on all motor vehicles or other titled vehicles constituting the Collateral. Bank shall have no duty to preserve such liability or security, but may do so at the expense of Debtor, without waiving Debtor's default.

H. Records of the Collateral. Debtor at all times shall maintain accurate books and records covering the Collateral. Debtor immediately will mark all books and records with an entry showing the absolute assignment of all Collateral to Bank, and Bank is hereby given the right to audit the books and records of Debtor relating to the Collateral at any time and from time to time. The amounts shown as owed to Debtor on Debtor's books and on any assignment schedule will be the undisputed amounts owing and unpaid.

I. Disposition of the Collateral. If disposition of any Collateral gives rise to an account, chattel paper or instrument, Debtor immediately shall notify Bank, and upon request of Bank shall assign or indorse the same to Bank. No Collateral may be sold, leased, manufactured, processed or otherwise disposed of by Debtor in any manner without the prior written consent of Bank, except the Collateral sold, leased, manufactured, processed or consumed in the ordinary course of business.

VA071

2

Approved: 7/01/95

Revised: 6/28/96

J. Accounts. Each account held as Collateral will represent the valid and legally enforceable obligation of third parties and shall not be evidenced by any instrument or chattel paper.

K. Notice/Location of the Collateral. Debtor shall give Bank written notice of each office of Debtor in which records of Debtor pertaining to accounts held as Collateral are kept, and each location at which the Collateral is or will be kept, and of any change of any such location. If no such notice is given, all records of debtor pertaining to the Collateral and all Collateral of Debtor are and shall be kept at the address marked by Debtor above.

1. Change of Name/Status and Notice of Changes. Without the written consent of Bank, Debtor shall not change its name, change its corporate status, use any trade name or engage in any business not reasonably related to its business as presently conducted. Debtor shall notify Bank immediately of (i) any material change in the Collateral, (ii) a change in Debtor's residence or location, (iii) a change in any matter warranted or represented by Debtor in this Agreement, or in any of the Loan Documents or furnished to Bank pursuant to this Agreement, and (iv) the occurrence of an Event of Default (hereinafter defined).

M. Use and Removal of the Collateral. Debtor shall not use the Collateral illegally. Debtor shall not, unless previously indicated as a fixture, permit the Collateral to be affixed to real or personal property without the prior written consent of Bank. Debtor shall not permit any of the Collateral to be removed from the locations specified herein without the prior written consent of Bank, except for the sale of inventory in the ordinary course of business.

N. Possession of the Collateral. Debtor shall deliver all investment securities and other instruments, documents and chattel paper which are part of the Collateral and in Debtor's possession to Bank immediately, or if hereafter acquired, immediately following acquisition, appropriately indorsed to Bank's order, or with appropriate, duly executed powers. Debtor waives presentment, notice of acceleration, demand, notice to dishonor, protest, and all other notices with respect thereto.

O. Consumer Credit. If any Collateral or proceeds includes obligations of third parties to Debtor, the transactions giving rise to the Collateral shall conform in all respects to the applicable state or federal law including but not limited to consumer credit law. Debtor shall hold harmless and indemnify Bank against any cost, loss or expense arising from Debtor's breach of this covenant.

P. Power of Attorney. Debtor appoints Bank and any officer thereof as Debtor's attorney-in-fact with full power in Debtor's name and behalf to do every act which Debtor is obligated to do or may be required to do hereunder; however, nothing in this paragraph shall be construed to obligate Bank to take any action hereunder nor shall Bank be liable to Debtor for failure to take any action hereunder. This appointment shall be deemed a power coupled with an interest and shall not be terminable as long as the Obligation is outstanding and shall not terminate on the disability or incompetence of Debtor.

Q. Waivers by Debtor. Debtor waives notice of the creation, advance, increase, existence, extension or renewal of, and of any indulgence with respect to, the Obligation; waives presentment, demand, notice of dishonor, and protest; waives notice of the amount of the Obligation outstanding at any time, notice of any change in financial condition of any person liable for the Obligation or any part thereof, notice of any Event of Default, and all other notices respecting the Obligation; and agrees that maturity of the Obligation and any part thereof may be accelerated, extended or renewed one or more times by Bank in its discretion, without notice to Debtor. Debtor waives any right to require that any action be brought against any other person or to require that resort be had to any other security or to any balance of any deposit account. Debtor further waives any right of subrogation or to enforce any right of action against any other Debtor until the Obligation is paid in full.

R. Other Parties and Other Collateral. No renewal or extension of or any other indulgence with respect to the Obligation or any part thereof, no release of any security, no release of any person (including any maker, indorser, guarantor or surety) liable on the Obligation, no delay in enforcement of payment, and no delay or omission or lack of diligence or care in exercising any right or power with respect to the Obligation or any security thereof or guaranty thereof or under this Agreement shall in any manner impair or affect the rights of Bank under the law, hereunder, or under any other agreement pertaining to the Collateral. Bank need not file suit or assert a claim (or personal judgment against any person for any part of the Obligation or seek to realize upon any other security for the Obligation, before foreclosing or otherwise realizing upon the Collateral. Debtor waives any right to the benefit of or to require or control application of any other security or proceeds thereof, and agrees that Bank shall have no duty or obligation to Debtor to apply to the Obligation any such other security or proceeds thereof.

S. Collection and Segregation of Accounts and Right to Notify. Bank hereby authorizes Debtor to collect the Collateral, subject to the direction and control of Bank, but Bank may, without cause or notice, curtail or terminate said authority at any time. Upon notice by Bank, whether oral or in writing, to Debtor, Debtor shall forthwith upon receipt of all checks, drafts, cash, and other remittances in payment of or on account of the Collateral, deposit the same in one or more special accounts maintained with Bank over which Bank alone shall have the power of withdrawal. The remittance of the proceeds of such Collateral shall not, however, constitute payment or liquidation of such Collateral until Bank shall receive good funds for such proceeds. Funds placed in such special accounts shall be held by Bank as security for all Obligations secured hereunder. These proceeds shall be deposited in precisely the form received, except for the indorsement of Debtor where necessary to permit collection of items, which indorsement Debtor agrees to make, and which

indorsement Bank is also hereby authorized, as attorney-in-fact, to make on behalf of Debtor. In the event Bank has notified Debtor to make deposits to a special account, pending such deposit, Debtor agrees that it will not commingle any such checks, drafts, cash or other remittances with any funds or other property of Debtor, but will hold them separate and apart therefrom, and upon an express trust for Bank until deposit thereof is made in the special account. Bank will, from time to time, apply the whole or any part of the Collateral funds on deposit in this special account against such Obligations as are secured hereby as Bank may in its sole discretion elect. At the sole election of Bank, any portion of said funds on deposit in the special account which Bank shall elect not to apply to the Obligations, may be paid over by Bank to Debtor. At any time, whether Debtor is or is not in default hereunder, Bank may notify persons obligated on any Collateral to make payments directly to Bank and Bank may take control of all proceeds of any Collateral. Until Bank elects to exercise such rights, Debtor, as agent of Bank, shall collect and enforce all payments owed on the Collateral.

T. Compliance with Commonwealth and Federal Laws. Debtor will maintain its existence, good standing and qualification to do business, where required, and comply with all laws, regulations and governmental requirements, including without limitation, environmental laws applicable to it or any of its property, business operations and transactions.

U. Environmental Covenants. Debtor shall immediately advise Bank in writing of (i) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed or threatened pursuant to any applicable federal, state, or local laws, ordinances or regulations relating to any Hazardous Materials affecting Debtor's business operations; and (ii) all claims made or threatened by any third party against Debtor relating to damages, contribution, cost, recovery, compensation, loss or injury resulting from any Hazardous Materials. Debtor shall immediately notify Bank of any remedial action taken by Debtor with respect to Debtor's business operations. Debtor will not use or permit any other party to use any Hazardous Materials at any of Debtor's places of business or at any other property owned by Debtor except such materials as are incidental to Debtor's normal course of business, maintenance and repairs and which are handled in compliance with all applicable environmental laws. Debtor agrees to permit Bank, its agents, contractors and employees to enter and inspect any of Debtor's places of business or any other property of Debtor at any reasonable times upon three (3) days prior notice for the purposes of conducting

VA071

3

Approved: 7/01/95

Revised: 6/28/96

an environmental investigation and audit (including taking physical samples) to insure that Debtor is complying with this covenant and Debtor shall reimburse Bank on demand for the costs of any such environmental investigation and audit. Debtor shall provide Bank, its agents, contractors, employees and representatives with access to and copies of any and all data and documents relating to or dealing with any Hazardous Materials used, generated, manufactured, stored or disposed of by Debtor's business operations within five (5) days of the request therefor.

6. Rights and Powers of Bank.

A. General. Bank, before or after default, without liability to Debtor may: obtain from any person information regarding Debtor or Debtor's business, which information any such person also may furnish without liability to Debtor; require Debtor to give possession or control of any Collateral to Bank; indorse as Debtor's agent any instruments, documents or chattel paper in the Collateral or representing proceeds of the Collateral; contact account debtors directly to verify information furnished by Debtor; take control of proceeds, including stock received as dividends or by reason of stock splits; release the Collateral in its possession to any Debtor, temporarily or otherwise; require additional Collateral; reject as unsatisfactory any property hereafter offered by Debtor as

Collateral; set standards from time to time to govern what may be used as after acquired Collateral; designate, from time to time, a certain percent of the Collateral as the loan value and require Debtor to maintain the Obligation at or below such figure; take control of funds generated by the Collateral, such as cash dividends, interest and proceeds or refunds from insurance, and use same to reduce any part of the Obligation and exercise all other rights which an owner of such Collateral may exercise, except the right to vote or dispose of the Collateral before an Event of Default; at any time transfer any of the Collateral or evidence thereof into its own name or that of its nominee; and demand, collect, convert, redeem, receipt for, settle, compromise, adjust, sue for, foreclose or realize upon the Collateral, in its own name or in the name of Debtor, as Bank may determine. Bank shall not be liable for failure to collect any account or instruments, or for any act or omission on the part of Bank, its officers, agents or employees, except for its or their own willful misconduct or gross negligence. The foregoing rights and powers of Bank will be in addition to, and not a limitation upon, any rights and powers of Bank given by law, elsewhere in this Agreement, or otherwise. If Debtor fails to maintain any required insurance, to the extent permitted by applicable law Bank may (but is not obligated to) purchase single interest insurance coverage for the Collateral which insurance may at Bank's option (i) protect only Bank and not provide any remuneration or protection for Debtor directly and (ii) provide coverage only after the Obligation has been declared due as herein provided. The premiums for any such insurance purchased by Bank shall be a part of the Obligation and shall bear interest as provided in 3(d) hereof.

B. Convertible Collateral. Bank may present for conversion any Collateral which is convertible into any other instrument or investment security or a combination thereof with cash, but Bank shall not have any duty to present for conversion any Collateral unless it shall have received from Debtor detailed written instructions to that effect at a time reasonably far in advance of the final conversion date to make such conversion possible.

7. Default.

A. Event of Default. An event of default ("Event of Default") shall occur if: (i) there is a loss, theft, damage or destruction of any material portion of the Collateral for which there is no insurance coverage or for which, in the opinion of Bank, there is insufficient insurance coverage; (ii) Debtor or any other obligor on all or part of the Obligation shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in this Agreement or in any other agreement between Debtor and Bank or between Bank and any other obligor on the Obligation, including, but not limited to, any other note or instrument, loan agreement, security agreement, deed of trust, mortgage, promissory note, guaranty, certificate, assignment, instrument, document or other agreement concerning or related to the Obligation (collectively, the "Loan Documents"); (iii) Debtor or such other obligor shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in any agreement between such party and any affiliate or subsidiary of NationsBank Corporation; (iv) Debtor or such other obligor shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in any lease agreement between such party and any lessor pertaining to premises at which any Collateral is located or stored, or (v) Debtor or such other obligor abandons any leased premises at which any Collateral is located or stored and the Collateral is either moved without the prior written consent of Bank or the Collateral remains at the abandoned premises.

B. Rights and Remedies. If any Event of Default shall occur, than, in each and every such case, Bank may, without presentment, demand, or protest; notice of default, dishonor, demand, non-payment, or protest; notice of intent to accelerate all or any part of the Obligation; notice of acceleration of all or any part of that Obligation; or notice of any other kind, all of which Debtor hereby expressly waives, (except for any notice required under this Agreement, any other Loan Document or applicable law); at any time thereafter exercise and/or enforce any of the following rights and remedies at Bank's option:

i. Acceleration. The Obligation shall, at Bank's option, become immediately due and payable, and the obligation, if any, of Bank to permit further

borrowings under the Obligation shall at Bank's option immediately cease and terminate.

ii. Possession and Collection of the Collateral. At its option: (a) take possession or control of, store, lease, operate, manage, sell, or instruct any Agent or Broker to sell or otherwise dispose of, all or any part of the Collateral; (b) notify all parties under any account or contract right forming all or any part of the Collateral to make any payments otherwise due to Debtor directly to Bank; (c) in Bank's own name, or in the names of Debtor, demand, collect, receive, sue for, and give receipts and releases for, any and all amounts due under such accounts and contract rights; (d) indorse as the agent of Debtor any check, note, chattel paper, documents, or instruments forming all or any part of the Collateral; (e) make formal application for transfer to Bank (or to any assignee of Bank or to any purchaser of any of the Collateral) of all of Debtor's permits, licenses, approvals, agreements, and the like relating to the Collateral or to Debtor's business; (f) take any other action which Bank deems necessary or desirable to protect and realize upon its security interest in the Collateral; and (g) in addition to the foregoing, and not in substitution therefor, exercise any one or more of the rights and remedies exercisable by Bank under any other provision of this Agreement. Under any of the other Loan Documents, or as provided by applicable law (including, without limitation, the Uniform Commercial Code as in effect in Virginia (hereinafter referred to as the "UCC")). In taking possession of the Collateral Bank may enter Debtor's premises and otherwise proceed without legal process, if this can be done without breach of the peace. Debtor shall, upon Bank's demand, promptly make the Collateral or other security available to Bank at a place designated by Bank, which place shall be reasonably convenient to both parties.

Bank shall not be liable for, nor be prejudiced by, any loss, depreciation or other damages to the Collateral, unless caused by Bank's willful and malicious act. Bank shall have no duty to take any action to preserve or collect the Collateral.

iii. Receiver. Obtain the appointment of a receiver for all or any of the Collateral, Debtor hereby consenting to the appointment of such a receiver and agreeing not to oppose any such appointment.

iv. Right of Set Off. Without notice or demand to Debtor, set off and apply against any and all of the Obligation any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness, at any time held or owing by Bank or any of Bank's agents or affiliates to or for the credit of the account of Debtor or any guarantor or indorser of Debtor's Obligation.

VA071

4

Approved: 7/01/95
Revised: 6/28/96

Bank shall be entitled to immediate possession of all books and records evidencing any Collateral or pertaining to chattel paper covered by this Agreement and it or its representatives shall have the authority to enter upon any premises upon which any of the same, or any Collateral, may be situated and remove the same therefrom without liability. Bank may surrender any insurance policies in the Collateral and receive the unearned premium thereon. Debtor shall be entitled to any surplus and shall be liable to Bank for any deficiency. The proceeds of any disposition after default available to satisfy the Obligation shall be applied to the Obligation in such order and in such manner as Bank in its discretion shall decide.

Debtor specifically understands and agrees that any sale by Bank of all or part of the Collateral pursuant to the terms of this Agreement may be effected by Bank at times and in manners which could result in the proceeds of such sale as being significantly and materially less than might have been received if such sale had occurred at different times or in different manners, and Debtor hereby releases Bank and its officers and representatives from and against any and all obligations and liabilities arising out of or related to the timing or manner of

any such sale.

If, in the opinion of Bank, there is any question that a public sale or distribution of any Collateral will violate any state or federal securities law, Bank may offer and sell such Collateral in a transaction exempt from registration under federal securities law, and any such sale made in good faith by Bank shall be deemed "commercially reasonable".

8. General.

A. Parties Bound. Bank's rights hereunder shall inure to the benefit of its successors and assigns. In the event of any assignment or transfer by Bank of any of the Obligation or the Collateral, Bank thereafter shall be fully discharged from any responsibility with respect to the Collateral so assigned or transferred, but Bank shall retain all rights and powers hereby given with respect to any of the Obligation or the Collateral not so assigned or transferred. All representations, warranties and agreements of Debtor if more than one are joint and several and all shall be binding upon the personal representatives, heirs, successors and assigns of Debtor.

B. Waiver. No delay of Bank in exercising any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No waiver by Bank of any right hereunder or of any default by Debtor shall be binding upon Bank unless in writing, and no failure by Bank to exercise any power or right hereunder or waiver of any default by Debtor shall operate as a waiver of any other or further exercise of such right or power or of any further default. Each right, power and remedy of Bank as provided for herein or in any of the Loan Documents, or which shall now or hereafter exist at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by Bank of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by Bank of any or all other such rights, powers or remedies.

C. Agreement Continuing. This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions, whether or not of the character contemplated at the date of this Agreement, and if all transactions between Bank and Debtor shall be closed at any time, shall be equally applicable to any new transactions thereafter. Provisions of this Agreement, unless by their terms exclusive, shall be in addition to other agreements between the parties. Time is of the essence of this Agreement.

D. Definitions. Unless the context indicates otherwise, definitions in the UCC apply to words and phrases in this Agreement; if UCC definitions conflict, Article 9 definitions apply.

E. Notices. Notice shall be deemed reasonable if mailed postage prepaid at least five (5) days before the related action (or if the UCC elsewhere specifies a longer period, such longer period) to this address of Debtor given above, or to such other address as any party may designate by written notice to the other party. Each notice, request and demand shall be deemed given or made, if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, or if sent by any other means, upon delivery.

F. Modifications. No provision hereof shall be modified or limited except by a written agreement expressly referring hereto and to the provisions so modified or limited and signed by Debtor and Bank. The provisions of the Agreement shall not be modified or limited by course of conduct or usage of trade.

G. Applicable Law and Partial Invalidity. This Agreement has been delivered in the Commonwealth of Virginia and shall be construed in accordance with the laws of that Commonwealth. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent

of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement. The invalidity or unenforceability of any provision of any Loan Document to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

H. Financing Statement. To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral shall be sufficient as a financing statement.

I. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S/ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

i. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

ii. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED

VA071

5

Approved: 7/01/95

Revised: 6/28/96

TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

J. Controlling Document. To the extent that this Security Agreement conflicts with or is in any way incompatible with any other Loan Document concerning the Obligation, any promissory note shall control over any other document, and if such note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

K. Execution Under Seal. This Agreement is being executed under seal by Debtor(s).

L. Additional Provisions. See Schedule "___" attached hereto and

incorporated hereunder for all purposes.

M. NOTICE OF FINAL AGREEMENT. THIS WRITTEN SECURITY AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed under seal by their duly authorized representatives as of the date first above written.

Bank/Secured Party: Corporate or Partnership Debtor Pledgor
NationsBank, N.A. INVENTORY MANAGEMENT SYSTEMS, INC.

By: _____ By: /s/ David P. Clark
Name: AUSTIN B. WELDER Name: DAVID P. CLARK
Title: ASSISTANT VICE PRESIDENT Title: PRESIDENT

/s/ Barbara A. Ras

Attest (If Applicable)

[Corporate Seal]

VA071

6

Approved: 7/01/95
Revised: 6/28/96

NationsBank, N.A.

Customer # 533966
Date: December 23, 1997

Security Agreement

=====
Bank/Secured Party: Debtor(s)/Pledgor(s):
NationsBank, N.A. ALLIANCE INVENTORY MANAGEMENT, INC.
Banking Center: Take-Two Interactive Software, Inc.
Mid-Atlantic Commercial Banking 575 Broadway
1111 East Main Street New York, New York 10012
Richmond, VA 23219-3500
County: Independent City of Richmond County: New York

=====
Debtor/Pledgor is: Corporation
Address is Debtor's: Place of Business
Collateral (hereinafter defined) is located at: New Jersey (Hudson County)

=====
1. Security Interest. For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor/Pledgor (hereinafter referred to as "Debtor") assigns and grants to Bank (also known as "Secured Party"), a security interest and lien in the Collateral (hereinafter defined) to secure the

payment and the performance of the Obligation (hereinafter defined).

2. Collateral. A security interest is granted in the following collateral described in this Item 2 (the "Collateral"):

A. Types of Collateral

Accounts: Any and all accounts and other rights of Debtor to the payment for goods sold or leased or for services rendered whether or not earned by performance, including, without limitation, contract rights, book debts, checks, notes, drafts, instruments, chattel paper, acceptances, and any and all amounts due to Debtor from a factor or other forms of obligations and receivables, now existing or hereafter arising.

Inventory:

Blanket Lien: Any and all of Debtor's goods held as inventory, whether now owned or hereafter acquired, including without limitation, any and all such goods held for sale or lease or being processed for sale or lease in Debtor's business, as now or hereafter conducted, including all materials, goods and work in process, finished goods and other tangible property held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Debtor's business, along with all documents (including documents of title) covering such inventory including the following (attach schedule if necessary): n/a

B. Substitutions, Proceeds and Related Items. Any and all substitutes and replacements for, accessions, attachments and other additions to, tools, parts and equipment now or hereafter added to or used in connection with, and all cash or non-cash proceeds and products of, the Collateral (including, without limitation, all income, benefits and property receivable, received or distributed which results from any of the Collateral, such as dividends payable or distributable in cash, property or stock; insurance distributions of any kind related to the Collateral, including, without limitation, returned premiums, interest, premium and principal payments; redemption proceeds and subscription rights; and shares or other proceeds of conversions or splits of any securities in the Collateral); any and all choses in action and causes of action of Debtor, whether now existing or hereafter arising, relating directly or indirectly to the Collateral (whether arising in contract, tort or otherwise and whether or not currently in litigation); all certificates of title, manufacturer's statements of origin, other documents, accounts and chattel paper, whether now existing or hereafter arising directly or indirectly from or related to the Collateral; all warranties, wrapping, packaging, advertising and shipping materials used or to be used in connection with or related to the Collateral; all of Debtor's books, records, data, plans, manuals, computer software, computer tapes, computer systems, computer disks, computer programs, source codes and object codes containing any information, pertaining directly or indirectly to the Collateral and all rights of Debtor to retrieve data and other information pertaining directly or indirectly to the Collateral from third parties, whether now existing or hereafter arising; and all returned, refused, stopped in transit, or repossessed Collateral, any of which, if received by Debtor, upon request shall be delivered immediately to Bank.

C. Balances and Other Property. The balance of every deposit account of Debtor maintained with Bank and any other claim of Debtor against Bank, now or hereafter existing, liquidated or unliquidated, and all money, instruments, securities, documents, chattel paper, credits, claims, demands, income, and any other property, rights and interests of Debtor which at any time shall come into the possession or custody or under the control of Bank or any of its agents or affiliates for any purpose, and the proceeds of any thereof. Bank shall be deemed to have possession of any of the Collateral in transit to or set apart for it or any of its agents or affiliates.

3. Description of Obligation(s). The following obligations ("Obligation" or "Obligations") are secured by this Agreement: (a) All debts, obligations, liabilities and agreements of Debtor to Bank, now or hereafter existing, arising directly or indirectly between Debtor and Bank whether absolute or contingent, joint or several, secured or unsecured, due or not due, contractual or tortious,

liquidated or unliquidated, arising by operation of law or otherwise, and all renewals, extensions or rearrangement of any of the above; (b) All costs incurred by Bank to obtain, preserve, perfect and enforce this Agreement and maintain, preserve, collect and realize upon the Collateral; (c) All debt, obligations and liabilities of Inventory Management Systems, Inc. to Bank of the kinds described in this Item 3., now existing or hereafter arising; (d) All other costs and attorney's fees incurred by Bank, for which Debtor is obligated to reimburse Bank in accordance with the terms of the Loan Documents (hereinafter defined), together with interest at the maximum rate allowed by law, or if none, 25% per annum; and (e) All amounts which may be owed to Bank pursuant to all other Loan Documents executed between Bank and any other Debtor. If Debtor is not the obligor of the Obligation, and in the event any amount paid to Bank on any Obligation is subsequently recovered from Bank in or as a result of any bankruptcy, insolvency or fraudulent conveyance proceeding, Debtor shall be liable to Bank for the amounts so recovered up to the fair market value of the Collateral whether or not the Collateral has been released or the security interest terminated. In the event the Collateral has been released or the security interest terminated the fair market value of the Collateral shall be determined, at Bank's option, as of the date the Collateral was released, the security interest terminated, or said amounts were recovered.

4. Debtor's Warranties. Debtor hereby represents and warrants to Bank as follows:

A. Financing Statements. Except as may be noted by schedule attached hereto and incorporated herein by reference, no financing statement covering the Collateral is or will be on file in any public office, except the financing statements relating to this security interest, and no security interest, other than the one herein created, has attached or been perfected in the Collateral or any part thereof.

B. Ownership. Debtor owns, or will use the proceeds of any loans by Bank to become the owner of, the Collateral free from any setoff, claim, restriction, lien, security interest or encumbrance except liens for taxes not yet due and the security interest hereunder.

C. Fixtures and Accessions. None of the Collateral is affixed to real estate or is an accession to any goods, or will become a fixture or accession, except as expressly set out herein.

D. Claims of Debtors on the Collateral. All account debtors and other obligors whose debts or obligations are part of the Collateral have no right to setoffs, counterclaims or adjustments, and no defenses in connection therewith.

E. Environmental Compliance. The conduct of Debtor's business operations and the condition of Debtor's property does not and will not violate any federal laws, rules or ordinances for environmental protection, regulations of the Environmental Protection Agency and any applicable local or state law, rule, regulation or rule of common law and any judicial interpretation thereof relating primarily to the environment or any materials defined as hazardous materials or substances under any local, state or federal environmental laws, rules or regulations, and petroleum, petroleum products, oil and asbestos ("Hazardous Materials").

F. Power and Authority. Debtor has full power and authority to make this Agreement, and all necessary consents and approvals of any persons, entities, governmental or regulatory authorities and securities exchanges have been obtained to effectuate the validity of this Agreement.

5. Debtor's Covenants. Until full payment and performance of all of the Obligation and termination or expiration of any obligation or commitment of Bank to make advances or loans to Debtor, unless Bank otherwise consents in writing:

A. Obligation and This Agreement. Debtor shall perform all of its agreements herein and in any other agreements between it and Bank.

B. Ownership and Maintenance of the Collateral. Debtor shall keep all tangible Collateral in good condition. Debtor shall defend the Collateral against all claims and demands of all persons at any time claiming any interest therein adverse to Bank. Debtor shall keep the Collateral free from all liens and security interests except those for taxes not yet due and the security interest hereby created.

C. Insurance. Debtor shall insure the Collateral with companies acceptable to Bank. Such insurance shall be in an amount not less than the fair market value of the Collateral and shall be against such casualties, with such deductible amounts as Bank shall approve. All insurance policies shall be written for the benefit of Debtor and Bank as their interests may appear, payable to Bank as loss payee, or in other form satisfactory to Bank, and such policies or certificates evidencing the same shall be furnished to Bank. All policies of insurance shall provide for written notice to Bank at least thirty (30) days prior to cancellation. Risk of loss or damage is Debtor's to the extent of any deficiency in any effective insurance coverage.

D. Bank's Costs. Debtor shall pay all costs necessary to obtain, preserve, perfect, defend and enforce the security interest created by this Agreement, collect the Obligation, and preserve, defend, enforce and collect the Collateral, including but not limited to taxes, assessments, insurance premiums, repairs, rent, storage costs and expenses of sales, legal expenses, reasonable attorney's fees and other fees or expenses for which Debtor is obligated to reimburse Bank in accordance with the terms of the Loan Documents. Whether the Collateral is or is not in Bank's possession, and without any obligation to do so and without waiving Debtor's default for failure to make any such payment, Bank at its option may pay any such costs and expenses, discharge encumbrances on the Collateral, and pay for insurance of the Collateral, and such payments shall be a part of the Obligation and bear interest at the rate set out in the Obligation. Debtor agrees to reimburse Bank on demand for any costs so incurred.

E. Information and Inspection. Debtor shall (i) promptly furnish Bank any information with respect to the Collateral requested by Bank; (ii) allow Bank or its representatives to inspect the Collateral, at any time and wherever located, and to inspect and copy, or furnish Bank or its representatives with copies of, all records relating to the Collateral and the Obligation; (iii) promptly furnish Bank or its representatives such information as Bank may request to identify the Collateral, at the time and in the form requested by Bank; and (iv) deliver upon request to Bank shipping and delivery receipts evidencing the shipment of goods and invoices evidencing the receipt of, and the payment for, the Collateral.

F. Additional Documents. Debtor shall sign and deliver any papers deemed necessary or desirable in the judgment of Bank to obtain, maintain, and perfect the security interest hereunder and to enable Bank to comply with any federal or state law in order to obtain or perfect Bank's interest in the Collateral or to obtain proceeds of the Collateral.

G. Parties Liable on the Collateral. Debtor shall preserve the liability of all obligors on any Collateral, shall preserve the priority of all security therefor, and shall deliver to Bank the original certificates of title on all motor vehicles or other titled vehicles constituting the Collateral. Bank shall have no duty to preserve such liability or security, but may do so at the expense of Debtor, without waiving Debtor's default.

H. Records of the Collateral. Debtor at all times shall maintain accurate books and records covering the Collateral. Debtor immediately will mark all books and records with an entry showing the absolute assignment of all Collateral to Bank, and Bank is hereby given the right to audit the books and records of Debtor relating to the Collateral at any time and from time to time. The amounts shown as owed to Debtor on Debtor's books and on any assignment schedule will be the undisputed amounts owing and unpaid.

I. Disposition of the Collateral. If disposition of any Collateral gives rise to an account, chattel paper or instrument, Debtor immediately shall notify Bank, and upon request of Bank shall assign or indorse the same to Bank. No Collateral may be sold, leased, manufactured, processed or otherwise disposed of

by Debtor in any manner without the prior written consent of Bank, except the Collateral sold, leased, manufactured, processed or consumed in the ordinary course of business.

J. Accounts. Each account held as Collateral will represent the valid and legally enforceable obligation of third parties and shall not be evidenced by any instrument or chattel paper.

K. Notice/Location of the Collateral. Debtor shall give Bank written notice of each office of Debtor in which records of Debtor pertaining to accounts held as Collateral are kept, and each location at which the Collateral is or will be kept, and of any change of any such location. If no such notice is given, all records of Debtor pertaining to the Collateral and all Collateral of Debtor are and shall be kept at the address marked by Debtor above.

L. Change of Name/Status and Notice of Changes. Without the written consent of Bank, Debtor shall not

2

change its name, change its corporate status, use any trade name or engage in any business not reasonably related to its business as presently conducted. Debtor shall notify Bank immediately of (i) any material change in the Collateral, (ii) a change in Debtor's residence or location, (iii) a change in any matter warranted or represented by Debtor in this Agreement, or in any of the Loan Documents or furnished to Bank pursuant to this Agreement, and (iv) the occurrence of an Event of Default (hereinafter defined).

M. Use and Removal of the Collateral. Debtor shall not use the Collateral illegally. Debtor shall not, unless previously indicated as a fixture, permit the Collateral to be affixed to real or personal property without the prior written consent of Bank. Debtor shall not permit any of the Collateral to be removed from the locations specified herein without the prior written consent of Bank, except for the sale of inventory in the ordinary course of business.

N. Possession of the Collateral. Debtor shall deliver all investment securities and other instruments, documents and chattel paper which are part of the Collateral and in Debtor's possession to Bank immediately, or if hereafter acquired, immediately following acquisition, appropriately endorsed to Bank's order, or with appropriate, duly executed powers. Debtor waives presentment, notice of acceleration, demand, notice of dishonor, protest, and all other notices with respect thereto.

O. Consumer Credit. If any Collateral or proceeds includes obligations of third parties to Debtor, the transactions giving rise to the Collateral shall conform in all respects to the applicable state or federal law including but not limited to consumer credit law. Debtor shall hold harmless and indemnify Bank against any cost, loss or expense arising from Debtor's breach of this covenant.

P. Power of Attorney. Debtor appoints Bank and any officer thereof as Debtor's attorney-in-fact with full power in Debtor's name and behalf to do every act which Debtor is obligated to do or may be required to do hereunder; however, nothing in this paragraph shall be construed to obligate Bank to take any action hereunder nor shall Bank be liable to Debtor for failure to take any action hereunder. This appointment shall be deemed a power coupled with an interest and shall not be terminable as long as the Obligation is outstanding and shall not terminate on the disability or incompetence of Debtor.

Q. Waivers by Debtor. Debtor waives notice of the creation, advance, increase, existence, extension or renewal of, and of any indulgence with respect to, the Obligation; waives presentment, demand, notice of dishonor, and protest; waives notice of the amount of the Obligation outstanding at any time, notice of any change in financial condition of any person liable for the Obligation or any part thereof, notice of any Event of Default, and all other notices respecting the Obligation; and agrees that maturity of the Obligation and any part thereof

may be accelerated, extended or renewed one or more times by Bank in its discretion, without notice to Debtor. Debtor waives any right to require that any action be brought against any other person or to require that resort be had to any other security or to any balance of any deposit account. Debtor further waives any right of subrogation or to enforce any right of action against any other Debtor until the Obligation is paid in full.

R. Other Parties and Other Collateral. No renewal or extension of or any other indulgence with respect to the Obligation or any part thereof, no release of any security, no release of any person (including any maker, indorser, guarantor or surety) liable on the Obligation, no delay in enforcement of payment, and no delay or omission or lack of diligence or care in exercising any right or power with respect to the Obligation or any security therefor or guaranty thereof or under this Agreement shall in any manner impair or affect the rights of Bank under the law, hereunder, or under any other agreement pertaining to the Collateral. Bank need not file suit or assert a claim for personal judgment against any person for any part of the Obligation or seek to realize upon any other security for the Obligation, before foreclosing or otherwise realizing upon the Collateral. Debtor waives any right to the benefit of or to require or control application of any other security or proceeds thereof, and agrees that Bank shall have no duty or obligation to Debtor to apply to the Obligation any such other security or proceeds thereof.

S. Collection and Segregation of Accounts and Right to Notify. Bank hereby authorizes Debtor to collect the Collateral, subject to the direction and control of Bank, but Bank may, without cause or notice, curtail or terminate said authority at any time. Upon notice by Bank, whether oral or in writing, to Debtor, Debtor shall forthwith upon receipt of all checks, drafts, cash, and other remittances in payment of or on account of the Collateral, deposit the same in one or more special accounts maintained with Bank over which Bank alone shall have the power of withdrawal. The remittance of the proceeds of such Collateral shall not, however, constitute payment or liquidation of such Collateral until Bank shall receive good funds for such proceeds. Funds placed in such special accounts shall be held by Bank as security for all Obligations secured hereunder. These proceeds shall be deposited in precisely the form received, except for the indorsement of Debtor where necessary to permit collection of items, which indorsement Debtor agrees to make, and which indorsement Bank is also hereby authorized, as attorney-in-fact, to make on behalf of Debtor. In the event Bank has notified Debtor to make deposits to a special account, pending such deposit, Debtor agrees that it will not commingle any such checks, drafts, cash or other remittances with any funds or other property of Debtor, but will hold them separate and apart therefrom, and upon an express trust for Bank, until deposit thereof is made in the special account. Bank will, from time to time, apply the whole or any part of the Collateral funds on deposit in this special account against such Obligations as are secured hereby as Bank may in its sole discretion elect. At the sole election of Bank, any portion of said funds on deposit in the special account which Bank shall elect not to apply to the Obligations, may be paid over by Bank to Debtor. At any time, whether Debtor is or is not in default hereunder, Bank may notify persons obligated on any Collateral to make payments directly to Bank and Bank may take control of all proceeds of any Collateral. Until Bank elects to exercise such rights, Debtor, as agent of Bank, shall collect and enforce all payments owed on the Collateral.

T. Compliance with Commonwealth and Federal Laws. Debtor will maintain its existence, good standing and qualification to do business, where required, and comply with all laws, regulations and governmental requirements, including without limitation, environmental laws applicable to it or any of its property, business operations and transactions.

U. Environmental Covenants. Debtor shall immediately advise Bank in writing of (i) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed or threatened pursuant to any applicable federal, state, or local laws, ordinances or regulations relating to any Hazardous Materials affecting Debtor's business operations; and (ii) all claims made or threatened by any third party against Debtor relating to damages, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials. Debtor shall immediately notify Bank of any

remedial action taken by Debtor with respect to Debtor's business operations. Debtor will not use or permit any other party to use any Hazardous Materials at any of Debtor's places of business or at any other property owned by Debtor except such materials as are incidental to Debtor's normal course of business, maintenance and repairs and which are handled in compliance with all applicable environmental laws. Debtor agrees to permit Bank, its agents, contractors and employees to enter and inspect any of Debtor's places of business or any other property of Debtor at any reasonable times upon three (3) days prior notice for the purposes of conducting an environmental investigation and audit (including taking physical samples) to insure that Debtor is complying with this covenant and Debtor shall reimburse Bank on demand for the costs of any such environmental investigation and audit. Debtor shall provide Bank, its agents, contractors, employees and representatives with access to and copies of any and all data and documents relating to or dealing with any Hazardous Materials used, generated, manufactured, stored or disposed of by Debtor's business operations within five (5) days of the request therefor.

6. Rights and Powers of Bank.

A. General. Bank, before or after default, without liability to Debtor may: obtain from any person information

3

regarding Debtor or Debtor's business, which information any such person also may furnish without liability to Debtor; require Debtor to give possession or control of any Collateral to Bank; indorse as Debtor's agent any instruments, documents or chattel paper in the Collateral or representing proceeds of the Collateral; contact account debtors directly to verify information furnished by Debtor; take control of proceeds, including stock received as dividends or by reason of stock splits; release the Collateral in its possession to any Debtor, temporarily or otherwise; require additional Collateral; reject as unsatisfactory any property hereafter offered by Debtor as Collateral; set standards from time to time to govern what may be used as after acquired Collateral; designate, from time to time, a certain percent of the Collateral as the loan value and require Debtor to maintain the Obligation at or below such figure; take control of funds generated by the Collateral, such as cash dividends, interest and proceeds or refunds from insurance, and use same to reduce any part of the Obligation and exercise all other rights which an owner of such Collateral may exercise, except the right to vote or dispose of the Collateral before an Event of Default; at any time transfer any of the Collateral or evidence thereof into its own name or that of its nominee; and demand, collect, convert, redeem, receipt for, settle, compromise, adjust, sue for, foreclose or realize upon the Collateral, in its own name or in the name of Debtor, as Bank may determine. Bank shall not be liable for failure to collect any account or instruments, or for any act or omission on the part of Bank, its officers, agents or employees, except for its or their own willful misconduct or gross negligence. The foregoing rights and powers of Bank will be in addition to, and not a limitation upon, any rights and powers of Bank given by law, elsewhere in this Agreement, or otherwise. If Debtor fails to maintain any required insurance, to the extent permitted by applicable law Bank may (but is not obligated to) purchase single interest insurance coverage for the Collateral which insurance may at Bank's option (i) protect only Bank and not provide any remuneration or protection for Debtor directly and (ii) provide coverage only after the Obligation has been declared due as herein provided. The premiums for any such insurance purchased by Bank shall be a part of the Obligation and shall bear interest as provided in 3(d) hereof.

B. Convertible Collateral. Bank may present for conversion any Collateral which is convertible into any other instrument or investment security or a combination thereof with cash, but Bank shall not have any duty to present for conversion any Collateral unless it shall have received from Debtor detailed written instructions to that effect at a time reasonably far in advance of the final conversion date to make such conversion possible.

7. Default.

A. Event of Default. An event of default ("Event of Default") shall occur if: (i) there is a loss, theft, damage or destruction of any material portion of the Collateral for which there is no insurance coverage or for which, in the opinion of Bank, there is insufficient insurance coverage; (ii) Debtor or any other obligor on all or part of the Obligation shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in this Agreement or in any other agreement between Debtor and Bank or between Bank and any other obligor on the Obligation, including, but not limited to, any other note or instrument, loan agreement, security agreement, deed of trust, mortgage, promissory note, guaranty, certificate, assignment, instrument, document or other agreement concerning or related to the Obligation (collectively, the "Loan Documents"); (iii) Debtor or such other obligor shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in any agreement between such party and any affiliate or subsidiary of NationsBank Corporation; (iv) Debtor or such other obligor shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in any lease agreement between such party and any lessor pertaining to premises at which any Collateral is located or stored; or (v) Debtor or such other obligor abandons any leased premises at which any Collateral is located or stored and the Collateral is either moved without the prior written consent of Bank or the Collateral remains at the abandoned premises.

B. Rights and Remedies. If any Event of Default shall occur, then, in each and every such case, Bank may, without presentment, demand, or protest; notice of default, dishonor, demand, non-payment or protest; notice of intent to accelerate all or any part of the Obligation; notice of acceleration of all or any part of the Obligation; or notice of any other kind, all of which Debtor hereby expressly waives, (except for any notice required under this Agreement, any other Loan Document or applicable law); at any time thereafter exercise and/or enforce any of the following rights and remedies at Bank's option:

i. Acceleration. The Obligation shall, at Bank's option, become immediately due and payable, and the obligation, if any, of Bank to permit further borrowings under the Obligation shall at Bank's option immediately cease and terminate.

ii. Possession and Collection of the Collateral. At its option: (a) take possession or control of, store, lease, operate, manage, sell, or instruct any Agent or Broker to sell or otherwise dispose of, all or any part of the Collateral; (b) notify all parties under any account or contract right forming all or any part of the Collateral to make any payments otherwise due to Debtor directly to Bank; (c) in Bank's own name, or in the name of Debtor, demand, collect, receive, sue for, and give receipts and releases for, any and all amounts due under such accounts and contract rights; (d) indorse as the agent of Debtor any check, note, chattel paper, documents, or instruments forming all or any part of the Collateral; (e) make formal application for transfer to Bank (or to any assignee of Bank or to any purchaser of any of the Collateral) of all of Debtor's permits, licenses, approvals, agreements, and the like relating to the Collateral or to Debtor's business; (f) take any other action which Bank deems necessary or desirable to protect and realize upon its security interest in the Collateral; and (g) in addition to the foregoing, and not in substitution therefor, exercise any one or more of the rights and remedies exercisable by Bank under any other provision of this Agreement, under any of the other Loan Documents, or as provided by applicable law (including, without limitation, the Uniform Commercial Code as in effect in Virginia (hereinafter referred to as the "UCC")). In taking possession of the Collateral Bank may enter Debtor's premises and otherwise proceed without legal process, if this can be done without breach of the peace. Debtor shall, upon Bank's demand, promptly make the Collateral or other security' available to Bank at a place designated by Bank, which place shall be reasonably convenient to both parties.

Bank shall not be liable for, nor be prejudiced by, any loss, depreciation or other damages to the Collateral, unless caused by Bank's willful and

malicious act. Bank shall have no duty to take any action to preserve or collect the Collateral.

iii. Receiver. Obtain the appointment of a receiver for all or any of the Collateral, Debtor hereby consenting to the appointment of such a receiver and agreeing not to oppose any such appointment.

iv. Right of Set Off. Without notice or demand to Debtor, set off and apply against any and all of the Obligation any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness, at any time held or owing by Bank or any of Bank's agents or affiliates to or for the credit of the account of Debtor or any guarantor or indorser of Debtor's Obligation.

4

Bank shall be entitled to immediate possession of all books and records evidencing any Collateral or pertaining to chattel paper covered by this Agreement and it or its representatives shall have the authority to enter upon any premises upon which any of the same, or any Collateral, may be situated and remove the same therefrom without liability. Bank may surrender any insurance policies in the Collateral and receive the unearned premium thereon. Debtor shall be entitled to any surplus and shall be liable to Bank for any deficiency. The proceeds of any disposition after default available to satisfy the Obligation shall be applied to the Obligation in such order and in such manner as Bank in its discretion shall decide.

Debtor specifically understands and agrees that any sale by Bank of all or part of the Collateral pursuant to the terms of this Agreement may be effected by Bank at times and in manners which could result in the proceeds of such sale as being significantly and materially less than might have been received if such sale had occurred at different times or in different manners, and Debtor hereby releases Bank and its officers and representatives from and against any and all obligations and liabilities arising out of or related to the timing or manner of any such sale.

If, in the opinion of Bank, there is any question that a public sale or distribution of any Collateral will violate any state or federal securities law, Bank may offer and sell such Collateral in a transaction exempt from registration under federal securities law, and any such sale made in good faith by Bank shall be deemed "commercially reasonable".

8. General.

A. Parties Bound. Bank's rights hereunder shall inure to the benefit of its successors and assigns. In the event of any assignment or transfer by Bank of any of the Obligation or the Collateral, Bank thereafter shall be fully discharged from any responsibility with respect to the Collateral so assigned or transferred, but Bank shall retain all rights and powers hereby given with respect to any of the Obligation or the Collateral not so assigned or transferred. All representations, warranties and agreements of Debtor if more than one are joint and several and all shall be binding upon the personal representatives, heirs, successors and assigns of Debtor.

B. Waiver. No delay of Bank in exercising any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No waiver by Bank of any right hereunder or of any default by Debtor shall be binding upon Bank unless in writing, and no failure by Bank to exercise any power or right hereunder or waiver of any default by Debtor shall operate as a waiver of any other or further exercise of such right or power or of any further default. Each right, power and remedy of Bank as provided for herein or in any of the Loan Documents, or which shall now or hereafter exist at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The

exercise or beginning of the exercise by Bank of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by Bank of any or all other such rights, powers or remedies.

C. Agreement Continuing. This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions, whether or not of the character contemplated at the date of this Agreement, and if all transactions between Bank and Debtor shall be closed at any time, shall be equally applicable to any new transactions thereafter. Provisions of this Agreement, unless by their terms exclusive, shall be in addition to other agreements between the parties. Time is of the essence of this Agreement.

D. Definitions. Unless the context indicates otherwise, definitions in the UCC apply to words and phrases in this Agreement; if UCC definitions conflict, Article 9 definitions apply.

E. Notices. Notice shall be deemed reasonable if mailed postage prepaid at least five (5) days before the related action (or if the UCC elsewhere specifies a longer period, such longer period) to the address of Debtor given above, or to such other address as any party may designate by written notice to the other party. Each notice, request and demand shall be deemed given or made, if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, or if sent by any other means, upon delivery.

F. Modifications. No provision hereof shall be modified or limited except by a written agreement expressly referring hereto and to the provisions so modified or limited and signed by Debtor and Bank. The provisions of the Agreement shall not be modified or limited by course of conduct or usage of trade.

G. Applicable Law and Partial Invalidity. This Agreement has been delivered in the Commonwealth of Virginia and shall be construed in accordance with the laws of that Commonwealth. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement. The invalidity or unenforceability of any provision of any Loan Document to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

H. Financing Statement. To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral shall be sufficient as a financing statement.

I. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

i. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR

ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

ii. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED

TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

J. Controlling Document. To the extent that this Security Agreement conflicts with or is in any way incompatible with any other Loan Document concerning the Obligation, any promissory note shall control over any other document, and if such note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

K. Execution Under Seal. This Agreement is being executed under seal by Debtor(s).

L. Additional Provisions. See Schedule "-" attached hereto and incorporated hereunder for all purposes.

M. NOTICE OF FINAL AGREEMENT. THIS WRITTEN SECURITY AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed under seal by their duly authorized representatives as of the date first above written.

Bank/Secured Party: Corporate or Partnership Debtor/Pledgor

NationsBank, N.A. ALLIANCE INVENTORY MANAGEMENT, INC.

By: _____ By: /s/ David P. Clark (Seal)

Name: AUSTIN B. WELDER Name:

Title: ASSISTANT VICE PRESIDENT Title:

/s/ Barbara A. Ras

Attest (if Applicable)

NationsBank, N.A.

Customer #533966

Date: December 23, 1997

Continuing and Unconditional Guaranty

```

=====
Bank:                               Guarantor:
NationsBank, N.A.
Banking Center:                     TAKE-TWO INTERACTIVE SOFTWARE, INC.
                                     575 Broadway
Mid-Atlantic Commercial Banking    New York, NY 10012
1111 East Main Street
Richmond, VA 23219-3500

County: Richmond Independent City    County: New York
=====

```

"Borrower": ALLIANCE INVENTORY MANAGEMENT. INC.

1. Guaranty. FOR VALUE RECEIVED, and to induce NationsBank, N.A. (Attn: Commercial Banking) ("Bank") to make loans or advances or to extend credit or other financial accommodations or benefits, with or without security, to or for the account of Borrower, the undersigned "Guarantor", if more than one, then each of them jointly and severally, hereby irrevocably and unconditionally guarantees to Bank the full and prompt payment when due, whether by acceleration or otherwise, of any and all Liabilities (as hereinafter defined) of Borrower to Bank. This Guaranty is continuing and unlimited as to the amount, and is cumulative to and does not supersede any other guaranties.

Guarantor further unconditionally guarantees the faithful, prompt and complete compliance by Borrower with all Obligations (as hereinafter defined). The undertakings of Guarantor hereunder are independent of the Liabilities and Obligations of Borrower and a separate action or actions for payment, damages or performance may be brought or prosecuted against Guarantor, whether or not an action is brought against Borrower or to realize upon the security for the Liabilities and/or Obligations and whether or not Borrower is joined in any such action or actions, and whether or not notice is given or demand is made upon Borrower.

Bank shall not be required to proceed first against Borrower, or any other person, or entity, whether primarily or secondarily liable, or against any collateral held by it, before resorting to Guarantor for payment, and Guarantor shall not be entitled to assert as a defense to the enforceability of the Guaranty any defense of Borrower with respect to any Liabilities or Obligations.

2. Paragraph Headings, Governing Law and Binding Effect. Guarantor agrees that the paragraph headings in this Guaranty are for convenience only and that they will not limit any of the provisions of this Guaranty. Guarantor further agrees that this Guaranty shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia and applicable United States federal law. Guarantor further agrees that this Guaranty shall be deemed to have been made in the Commonwealth of Virginia at Bank's address indicated above, and shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia, or the United States courts located within the Commonwealth of Virginia, and is performable in the Commonwealth of Virginia. This Guaranty is

binding upon Guarantor, his, their or its executors, administrators, successors or assigns, and shall inure to the benefit of Bank, its successors, indorsees or assigns. Anyone executing this Guaranty shall be bound by the terms hereof without regard to execution by anyone else.

3. Definitions.

A. "Guarantor" shall mean Guarantor or any one or more of them.

B. "Liability" or "Liabilities" shall mean without limitation, all liabilities, overdrafts, indebtedness, and obligations of Borrower and/or Guarantor to Bank, whether direct or indirect, absolute or contingent, joint or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, now or hereafter existing, or held or to be held by Bank for its own account or as agent for another or others, whether created directly, indirectly, or acquired by assignment or otherwise, including but not limited to all extensions or renewals thereof, and all sums payable under or by virtue thereof, including without limitation, all amounts of principal and interest, all expenses (including reasonable attorney's fees and cost of collection) incurred in the collection thereof or the enforcement of rights thereunder (including without limitation, any liability arising from failure to comply with state or federal laws, rules and regulations concerning the control of hazardous waste or substances at or with respect to any real estate securing any loan guaranteed hereby), whether arising in the ordinary course of business or otherwise. If Borrower is a partnership, corporation or other entity the term "Liability" or "Liabilities" as used herein shall include all liabilities to Bank of any successor entity or entities.

C. "Loan Documents" shall mean all deeds to secure debt, deeds of trust, mortgages, security agreements and other documents securing payment of the Liabilities and all notes and other agreements, documents and instruments evidencing or relating to the Liabilities and Obligations.

D. "Obligation" or "Obligations" shall mean all terms, conditions, covenants, agreements and undertakings of Borrower and/or Guarantor under all notes and other documents evidencing the Liabilities, and under all deeds to secure debt, deeds of trust, mortgages, security agreements and other agreements, documents and instruments executed in connection with the Liabilities or related thereto.

4. Waivers by Guarantor. Guarantor waives notice of acceptance of this Guaranty, notice of any Liabilities or Obligations to which it may apply, presentment, demand for payment, protest, notice of dishonor or nonpayment of any Liabilities, notice of intent to accelerate, notice of acceleration, and notice of any suit or the taking of other action by Bank against Borrower, Guarantor or any other person, any applicable statute of limitations and any other notice to any party liable on any Loan Document (including Guarantor).

VA061

-1-

Approved: 07/01/95

Revised: 05/30/96

Each Guarantor also hereby waives any claim, right or remedy which such Guarantor may now have or hereafter acquire against Borrower that arises hereunder and/or from the performance by any other Guarantor hereunder including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Bank against Borrower or against any security which Bank now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise.

Guarantor also waives the benefits of any provision of law requiring that Bank exhaust any right or remedy, or take any action, against Borrower, any Guarantor, any other person and/or property including but not limited to the

provisions of the Virginia Code ss.49-25 and the Virginia Code ss.49-26, as amended, or otherwise.

Bank may at any time and from time to time (whether before or after revocation or termination of this Guaranty) without notice to Guarantor (except as required by law), without incurring responsibility to Guarantor, without impairing, releasing or otherwise affecting the Obligations of Guarantor, in whole or in part, and without the indorsement or execution by Guarantor of any additional consent, waiver or guaranty: (a) change the manner, place or terms of payment, or change or extend the time of or renew, or change any interest rate or alter any Liability or Obligation or installment thereof, or any security therefor; (b) loan additional monies or extend additional credit to Borrower, with or without security, thereby creating new Liabilities or Obligations the payment or performance of which shall be guaranteed hereunder, and the Guaranty herein made shall apply to the Liabilities and Obligations as so changed, extended, surrendered, realized upon or otherwise altered; (c) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property at any time pledged or mortgaged to secure the Liabilities or Obligations and any offset there against; (d) exercise or refrain from exercising any rights against Borrower or others (including Guarantor) or act or refrain from acting in any other manner; (e) settle or compromise any Liability or Obligation or any security therefor and subordinate the payment of all or any part thereof to the payment of any Liability or Obligation of any other parties primarily or secondarily liable on any of the Liabilities or Obligations; (f) release or compromise any Liability of Guarantor hereunder or any Liability or Obligation of any other parties primarily or secondarily liable on any of the Liabilities or Obligations; or (g) apply any sums from any sources to any Liability without regard to any Liabilities remaining unpaid.

5. Subordination, Upon demand of Bank, Guarantor agrees that it will not demand, take or receive from Borrower, by set-off or in any other manner, payment of any debt, now and at any time or times hereafter owing by Borrower to Guarantor unless and until all the Liabilities and Obligations shall have been fully paid and performed, and any security interest, liens or encumbrances which Guarantor now has and from time to time hereafter may have upon any of the assets of Borrower shall be made subordinate, junior and inferior and postponed in priority, operation and effect to any security interest of Bank in such assets.

6. Waivers by Bank. No delay on the part of Bank in exercising any of its options, powers or rights, and no partial or single exercise thereof, shall constitute a waiver thereof. No waiver of any of its rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by Bank unless the same shall be in writing, duly signed on behalf of Bank; and each such waiver, if any, shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Bank or the obligations of Guarantor to Bank in any other respect at any other time.

7. Termination. This Guaranty shall be binding on each Guarantor until written notice of revocation signed by such Guarantor or written notice of the death of such Guarantor shall have been received by Bank, notwithstanding change in name, location, composition or structure of, or the dissolution, termination or increase, decrease or change in personnel, owners or partners of Borrower, or any one or more of Guarantors. No notice of revocation or termination hereof shall affect in any manner rights arising under this Guaranty with respect to Liabilities or Obligations that shall have been committed, created, contracted, assumed or incurred prior to receipt of such written notice pursuant to any agreement entered into by Bank prior to receipt of such notice. The sole effect of such notice of revocation or termination hereof shall be to exclude from this Guaranty, Liabilities or Obligations thereafter arising that are unconnected with Liabilities or Obligations theretofore arising or transactions entered into theretofore.

In the event of the death of a Guarantor, the liability of the estate of the deceased Guarantor shall continue in full force and effect as to (i) the Liabilities existing at the date of death, and any renewals or extensions thereof, and (ii) loans or advances made to or for the account of Borrower after the date of death of the deceased Guarantor pursuant to a commitment made by Bank to Borrower prior to the date of such death. As to all surviving

Guarantors, this Guaranty shall continue in full force and effect after the death of a Guarantor, not only as to the Liabilities existing at that time, but also as to liabilities thereafter incurred by Borrower to Bank.

8. Partial Invalidity and/or Enforceability of Guaranty. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of any Loan Document as it may apply to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

In the event Bank is required to relinquish or return the payments, the collateral or the proceeds thereof, in whole or in part, which had been previously applied to or retained for application against any Liability, by reason of a proceeding arising under the Bankruptcy Code, or for any other reason, this Guaranty shall automatically continue to be effective notwithstanding any previous cancellation or release effected by Bank.

9. Change of Status. Guarantor will not become a party to a merger or consolidation with any other company, except where Guarantor is the surviving corporation or entity, and all covenants under this Guaranty are assumed by the surviving entity. Further, Guarantor may not change its legal structure, without the written consent of Bank and all covenants under this Guaranty are assumed by the new or surviving entity. Guarantor further agrees that this Guaranty shall be binding, legal and enforceable against Guarantor in the event Borrower changes its name, status or type of entity.

10. Financial and Other Information. Guarantor agrees to furnish to Bank any and all financial information and any other information regarding Guarantor and/or collateral requested in writing by Bank within ten (10) days of the date of the request. Guarantor has made an independent investigation of the financial condition and affairs of Borrower prior to entering into this Guaranty, and Guarantor will continue to make such investigation; and in entering into this Guaranty Guarantor has not relied upon any representation of Bank as to the financial condition, operation or creditworthiness of Borrower. Guarantor further agrees that Bank shall have no duty or responsibility now or hereafter to make any investigation or appraisal of Borrower on behalf of Guarantor or to provide Guarantor with any credit or other information which may come to its attention now or hereafter.

VA061

-2-

Approved: 07/01/95
Revised: 05/30/96

11. Notices. Notice shall be deemed reasonable if mailed postage prepaid at least five (5) days before the related action to the address of Guarantor or Bank, at their respective addresses indicated at the beginning of this Guaranty, or to such other address as any party may designate by written notice to the other party. Each notice, request and demand shall be deemed given or made, if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, or if sent by any other means, upon delivery.

12. Guarantor Duties. Guarantor shall upon notice or demand by Bank promptly and with due diligence pay all Liabilities and perform and satisfy all Obligations for the benefit of Bank in the event of (a) the occurrence of any default under any Loan Documents; (b) the failure of any Borrower or Guarantor to perform any obligation or pay any liability or indebtedness of any Borrower or Guarantor to Bank, or to any affiliate of Bank, whether under any Note, Guaranty, or any other agreement, now or hereafter existing, as and when due (whether upon demand, at maturity or by acceleration); (c) the failure of any Borrower or Guarantor to pay or perform any other liability, obligation or indebtedness of any Borrower or Guarantor to any other party; (d) the death of any Borrower or Guarantor (if an individual); (e) the resignation or withdrawal of any partner or a material owner/Guarantor of Borrower, as determined by Bank in its sole discretion; (f) the commencement of a proceeding against any Borrower or

Guarantor for dissolution or liquidation, the voluntary or involuntary termination or dissolution of any Borrower or Guarantor or the merger or consolidation of any Borrower or Guarantor with or into another entity; (g) the insolvency, or the business failure of, or the appointment of a custodian, trustee, liquidator or receiver for or of any of the property of, or the assignment for the benefit of creditors by, or the filing of a petition under bankruptcy, insolvency or debtor's relief law or the filing of a petition for any adjustment of indebtedness, composition or extension by or against any Borrower or Guarantor; (h) the sole determination by Bank that any representation or warranty to Bank in any Loan Document or otherwise to Bank was untrue or materially misleading when made; (i) the failure of Guarantor or Borrower to timely deliver such financial statements including tax returns and all schedules, or other statements of condition or other information, as Bank shall request from time to time; (j) the entry of a judgment against Borrower or Guarantor which Bank deems to be of a material nature in the sole discretion of Bank; (k) the seizure or forfeiture of any of Borrower or Guarantor's property, or the issuance of any writ of possession, garnishment or attachment, or any turnover order; (l) the sole determination by Bank that Guarantor or Borrower jointly or severally, has suffered a material adverse change in its financial condition; (m) the determination by Bank that for any reason it is insecure; (n) any lien or additional security interest being placed upon any collateral which is security for any Loan Document; or (o) the failure of Borrower's business to comply with any law or regulation controlling the operation of Borrower's business.

13. Remedies. Upon the failure of Guarantor to fulfill its duty to pay all Liabilities and perform and satisfy all Obligations as required hereunder, Bank shall have all of the remedies of a creditor and, to the extent applicable, of a secured party, under all applicable law, and without limiting the generality of the foregoing, Bank may, at its option and without notice or demand: (a) declare any Liability due and payable at once; (b) take possession of any collateral pledged by Borrower or Guarantor wherever located, and sell, resell, assign, transfer and deliver all or any part of said collateral of Borrower or Guarantor at any public or private sale or otherwise dispose of any or all of the collateral in its then condition, for cash or on credit or for future delivery, and in connection therewith Bank may impose reasonable conditions upon any such sale, and Bank, unless prohibited by law the provisions of which cannot be waived, may purchase all or any part of said collateral to be sold, free from and discharged of all trusts, claims, rights or redemption and equities of Borrower or Guarantor whatsoever; Guarantor acknowledges and agrees that the sale of any collateral through any nationally recognized broker-dealer, investment banker or any other method common in the securities industry shall be deemed a commercially reasonable sale under the Uniform Commercial Code or any other equivalent statute or federal law, and expressly waives notice thereof except as provided herein; and (c) set-off against any or all liabilities of Guarantor all money owed by Bank or any of its agents or affiliates in any capacity to Guarantor whether or not due, and also set-off against all other Liabilities of Guarantor to Bank all money owed by Bank in any capacity to Guarantor, and if exercised by Bank, Bank shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of such default although made or entered on the books subsequent thereto.

Bank shall have a properly perfected security interest in all of Guarantor's funds on deposit with Bank to secure the balance of any Liabilities and/or Obligations that Guarantor may now or in the future owe Bank. Bank is granted a contractual right of set-off and will not be liable for dishonoring checks or withdrawals where the exercise of Bank's contractual right of set-off or security interest results in insufficient funds in Guarantor's account. As authorized by law, Guarantor grants to Bank this contractual right of set-off and security interest in all property of Guarantor now or at anytime hereafter in the possession of Bank, including but not limited to any joint account, special account, account by the entirety, tenancy in common, and all dividends and distributions now or hereafter in the possession or control of Bank.

14. Attorney Fees, Cost and Expenses. Guarantor shall pay all costs of collection and reasonable attorney's fees, including reasonable attorney's fees in connection with any suit, mediation or arbitration proceeding, out of Court

payment agreement, trial, appeal, bankruptcy proceedings or otherwise, incurred or paid by Bank in enforcing the payment of any Liability or defending this agreement.

15. Collateral. Bank at all times and from time to time shall have the right to require Guarantor to deliver to Bank collateral satisfactory to Bank to secure Guarantor's undertakings hereunder and/or the Liabilities of Guarantor hereunder.

16. Preservation of Property. Bank shall not be bound to take any steps necessary to reserve any rights in any property pledged as collateral to Bank to secure Borrower and/or Guarantor's Liabilities and obligations as against prior parties who may be liable in connection therewith, and Borrower and Guarantor hereby agree to take any such steps. Bank, nevertheless, at any time, may (a) take any action it deems appropriate for the care or preservation of such property or of any rights of Borrower and/or Guarantor or Bank therein; (b) demand, sue for, collect or receive any money or property at any time due, payable or receivable on account of or in exchange for any property pledged as collateral, to Bank to secure Borrower and/or Guarantor's Liabilities to Bank; (c) compromise and settle with any person liable on such property; or (d) extend the time of payment or otherwise change the terms of the Loan Documents as to any party liable on the Loan Documents, all without notice to, without incurring responsibility to, and without affecting any of the Obligations or Liabilities of Guarantor.

17. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY

VA061

-3-

Approved: 07/01/95

Revised: 05/30/96

INCONSISTENCY. THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

A. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT, AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION. THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

B. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE. DURING OR

AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

18. Controlling Document. To the extent that this Continuing and Unconditional Guaranty conflicts with or is in any way incompatible with any other Loan Document concerning this Obligation, any promissory note shall control over any other document, and if such promissory note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

19. Execution Under Seal. This Guaranty is being executed under seal by Guarantor.

20. NOTICE OF FINAL AGREEMENT. THIS WRITTEN CONTINUING AND UNCONDITIONAL GUARANTY REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be executed under seal on the 23rd day of December, 1997.

Witnessed By:

Corporate or Partnership Guarantor:

TAKE-TWO INTERACTIVE SOFTWARE. INC.

By: /s/ Ryan A. Brant [Seal]

Name:

Name: RYAN A. BRANT

Title:

Title: C.E.O.

/s/ Barbara A. Ras

Attest (If Applicable)

(Corporate Seal)

State of New York)

County of New York)

This instrument was acknowledged before me on December 23, 1997, by RYAN A. BRANT, Chief Executive Officer of Take-Two Interactive Software. Inc., a corporation, on behalf of said corporation.

/s/ Gloria H. Cohan

Notary Public in and for the State of New York

(Seal)

Gloria H. Cohan

Print Name of Notary

VA061

-4-

Approved: 07/01/95
Revised: 05/30/96

NationsBank, N.A.

Customer #533966

Date: December 23, 1997

Continuing and Unconditional Guaranty

```

=====
Bank:                               Guarantor:
NationsBank, N.A.                   TAKE-TWO INTERACTIVE SOFTWARE, INC.
Banking Center:                     575 Broadway
                                     New York, NY 10012
Mid-Atlantic Commercial Banking
1111 East Main Street
Richmond, VA 23219-3500

County: Richmond Independent City    County: New York
=====

```

"Borrower": INVENTORY MANAGEMENT SYSTEMS, INC.

1. Guaranty. FOR VALUE RECEIVED, and to induce NationsBank. N.A. (Attn: Commercial Banking) ("Bank") to make loans or advances or to extend credit or other financial accommodations or benefits, with or without security, to or for the account of Borrower, the undersigned "Guarantor", if more than one, then each of them jointly and severally, hereby irrevocably and unconditionally guarantees to Bank the full and prompt payment when due, whether by acceleration or otherwise, of any and all Liabilities (as hereinafter defined) of Borrower to Bank. This Guaranty is continuing and unlimited as to the amount, and is cumulative to and does not supersede any other guaranties.

Guarantor further unconditionally guarantees the faithful, prompt and complete compliance by Borrower with all Obligations (as hereinafter defined). The undertakings of Guarantor hereunder are independent of the Liabilities and Obligations of Borrower and a separate action or actions for payment, damages or performance may be brought or prosecuted against Guarantor, whether or not an action is brought against Borrower or to realize upon the security for the Liabilities and/or Obligations and whether or not Borrower is joined in any such action or actions, and whether or not notice is given or demand is made upon Borrower.

Bank shall not be required to proceed first against Borrower, or any other person, or entity, whether primarily or secondarily liable, or against any collateral held by it, before resorting to Guarantor for payment, and Guarantor shall not be entitled to assert as a defense to the enforceability of the Guaranty any defense of Borrower with respect to any Liabilities or Obligations.

2. Paragraph Headings, Governing Law and Binding Effect. Guarantor agrees that the paragraph headings in this Guaranty are for convenience only and that they will not limit any of the provisions of this Guaranty. Guarantor further agrees

that this Guaranty shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia and applicable United States federal law. Guarantor further agrees that this Guaranty shall be deemed to have been made in the Commonwealth of Virginia at Bank's address indicated above, and shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia, or the United States courts located within the Commonwealth of Virginia, and is performable in the Commonwealth of Virginia. This Guaranty is binding upon Guarantor, his, their or its executors, administrators, successors or assigns, and shall inure to the benefit of Bank, its successors, indorsees or assigns. Anyone executing this Guaranty shall be bound by the terms hereof without regard to execution by anyone else.

3. Definitions.

A. "Guarantor" shall mean Guarantor or any one or more of them.

B. "Liability" or "Liabilities" shall mean without limitation, all liabilities, overdrafts, indebtedness, and obligations of Borrower and/or Guarantor to Bank, whether direct or indirect, absolute or contingent, joint or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, now or hereafter existing, or held or to be held by Bank for its own account or as agent for another or others, whether created directly, indirectly, or acquired by assignment or otherwise, including but not limited to all extensions or renewals thereof, and all sums payable under or by virtue thereof, including without limitation, all amounts of principal and interest, all expenses (including reasonable attorney's fees and cost of collection) incurred in the collection thereof or the enforcement of rights thereunder (including without limitation, any liability arising from failure to comply with state or federal laws, rules and regulations concerning the control of hazardous waste or substances at or with respect to any real estate securing any loan guaranteed hereby), whether arising in the ordinary course of business or otherwise. If Borrower is a partnership, corporation or other entity tie term "Liability" or "Liabilities" as used herein shall include all Liabilities to Bank of any successor entity or entities.

C. "Loan Documents" shall mean all deeds to secure debt, deeds of trust, mortgages, security agreements and other documents securing payment of the Liabilities and all notes and other agreements, documents, and instruments evidencing or relating to the Liabilities and Obligations.

D. "Obligation" or "Obligations" shall mean all terms, conditions, covenants, agreements and undertakings of Borrower and/or Guarantor under all notes and other documents evidencing the Liabilities, and under all deeds to secure debt, deeds of trust, mortgages, security agreements and other agreements, documents and instruments executed in connection with the Liabilities or related thereto.

4. Waivers by Guarantor. Guarantor waives notice of acceptance of this Guaranty, notice of any Liabilities or Obligations to which it may apply, presentment, demand for payment, protest, notice of dishonor or nonpayment of any Liabilities, notice of intent to accelerate, notice of acceleration, and notice of any suit or the taking of other action by Bank against Borrower, Guarantor or any other person, any applicable statute of limitations and any other notice to any party liable on any Loan Document (including Guarantor).

VA061

-1-

Approved: 07/01/95

Revised: 05/30/96

Each Guarantor also hereby waives any claim, right or remedy which such Guarantor may now have or hereafter acquire against Borrower that arises hereunder and/or from the performance by any other Guarantor hereunder including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Bank against Borrower or against any security

which Bank now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise.

Guarantor also waives the benefits of any provision of law requiring that Bank exhaust any right or remedy, or take any action, against Borrower, any Guarantor, any other person and/or property including but not limited to the provisions of the Virginia Code ss.49-25 and the Virginia Code ss.49-26, as amended, or otherwise.

Bank may at any time and from time to time (whether before or after revocation or termination of this Guaranty) without notice to Guarantor (except as required by law), without incurring responsibility to Guarantor, without impairing, releasing or otherwise affecting the Obligations of Guarantor, in whole or in part, and without the indorsement or execution by Guarantor of any additional consent, waiver or guaranty: (a) charge the manner, place or terms of payment, or change or extend the time of or renew, or change any interest rate or alter any Liability or Obligation or installment thereof, or any security therefor: (b) loan additional monies or extend additional credit to Borrower, with or without security, thereby creating new Liabilities or Obligations the payment or performance of which shall be guaranteed hereunder, and the Guaranty herein made shall apply to the Liabilities and Obligations as so changed, extended, surrendered, realized upon or otherwise altered; (c) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property at any time pledged or mortgaged to secure the Liabilities or Obligations and any offset there against, (d) exercise or refrain from exercising any rights against Borrower or others (including Guarantor) or act or refrain from acting in any other manner; (e) settle or compromise any Liability or Obligation or any security therefor and subordinate the payment of all or any part thereof to the payment of any Liability or Obligation of any other parties primarily or secondarily liable on any of the Liabilities or Obligations; (f) release or compromise any Liability of Guarantor hereunder or any Liability or Obligation of any other parties primarily or secondarily liable on any of the Liabilities or Obligations; or (g) apply any sums from any sources to any Liability without regard to any Liabilities remaining unpaid.

5. Subordination. Upon demand of Bank, Guarantor agrees that it will not demand, take or receive from Borrower, by set-off or in any other manner, payment of any debt, now and at any time or times hereafter owing by Borrower to Guarantor unless and until all the Liabilities and Obligations shall have been fully paid and performed, and any security interest, liens or encumbrances which Guarantor now has and from time to time hereafter may have upon any of the assets of Borrower shall be made subordinate, junior and inferior and postponed in priority, operation and effect to any security interest of Bank in such assets.

6. Waivers by Bank. No delay on the part of Bank in exercising any of its options, powers or rights, and no partial or single exercise thereof, shall constitute a waiver thereof. No waiver of any of its rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by Bank unless the same shall be in writing, duly signed on behalf of Bank; and each such waiver, if any, shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Bank or the obligations of Guarantor to Bank in any other respect at any other time.

7. Termination. This Guaranty shall be binding on each Guarantor until written notice of revocation signed by such Guarantor or written notice of the death of such Guarantor shall have been received by Bank, notwithstanding change in name, location, composition or structure of, or the dissolution, termination or increase, decrease or change in personnel, owners or partners of Borrower, or any one or more of Guarantor. No notice of revocation or termination hereof shall affect in any manner rights arising under this Guaranty with respect to Liabilities or Obligations that shall have been committed, created, contracted, assumed or incurred prior to receipt of such written notice pursuant to any agreement entered into by Bank prior to receipt of such notice. The sole effect of such notice of revocation or termination hereof shall be to exclude from this Guaranty, Liabilities or Obligations thereafter arising that are unconnected with Liabilities or Obligations theretofore arising or transactions entered into theretofore.

In the event of the death of a Guarantor, the liability of the estate of the deceased Guarantor shall continue in full force and effect as to (i) the Liabilities existing at the date of death, and any renewals or extensions thereof, and (ii) loans or advances made to or for the account of Borrower after the date of death of the deceased Guarantor pursuant to a commitment made by Bank to Borrower prior to the date of such death. As to all surviving Guarantors, this Guaranty shall continue in full force and effect after the death of a Guarantor, not only as to the Liabilities existing at that time, but also as to Liabilities thereafter incurred by Borrower to Bank.

8. Partial Invalidity and/or Enforceability of Guaranty. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein and the invalid by or unenforceability of any provision of any Loan Document as it may apply to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

In the event Bank is required to relinquish or return the payments, the collateral or the proceeds thereof, in whole or in part, which had been previously applied to or retained for reapplication against any Liability, by reason of a proceeding to arising under the Bankruptcy Code, or for any other reason, this Guaranty shall automatically continue to be effective notwithstanding any previous cancellation or release affected by Bank.

9. Change of Status. Guarantor will not become a party to a merger or consolidation with any other company, except where Guarantor is the surviving corporation or entity, and all covenants under this Guaranty are assumed by the surviving entity. Further, Guarantor may not change its legal structure, without the written consent of Bank and all covenants under this Guaranty are assumed by the new or surviving entity. Guarantor further agrees that this Guaranty shall be binding, legal and enforceable against Guarantor in the event Borrower changes its name, status or type of entity.

10. Financial and Other Information. Guarantor agrees to furnish to Bank any and all financial information and any other information regarding Guarantor and/or collateral requested in writing by Bank within ten (10) days of the date of the request. Guarantor has made an independent investigation of the financial condition and affairs of Borrower prior to entering into this Guaranty, and Guarantor will continue to make such investigation; and in entering into this Guaranty Guarantor has not relied upon any representation of Bank as to the financial condition, operation or creditworthiness of Borrower. Guarantor further agrees that Bank shall have no duty or responsibility now or hereafter to make any investigation or appraisal of Borrower on behalf of Guarantor or to provide Guarantor with any credit or other information which may come to its attention now or hereafter.

VA061

-2-

Approved: 07/01/95

Revised: 05/30/96

11. Notices. Notice shall be deemed reasonable if mailed postage prepaid at least five (5) days before the related action to the address of Guarantor or Bank, at their respective addresses indicated at the beginning of this Guaranty, or to such other address as any party may designate by written notice to the other party. Each notice, request and demand shall be deemed given or made, if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, or if sent by any other means, upon delivery.

12. Guarantor Duties. Guarantor shall upon notice or demand by Bank promptly and with due diligence pay all Liabilities and perform and satisfy all Obligations for the benefit of Bank in the event of (a) the occurrence of any default under any Loan Documents; (b) the failure or any Borrower or Guarantor to perform any obligation or pay any liability or indebtedness of any Borrower or Guarantor to Bank, or to any affiliate of Bank, whether under any Note, Guaranty, or any

other agreement, now or hereafter existing, as and when due (whether upon demand, at maturity or by acceleration); (c) the failure of any Borrower or Guarantor to pay or perform any other liability, obligation or indebtedness of any Borrower or Guarantor to any other party; (d) the death of any Borrower or Guarantor (if an individual); (a) the resignation or withdrawal of any partner or a material Owner/Guarantor of Borrower, as determined by Bank in its sole discretion; (f) the commencement of a proceeding against any Borrower or Guarantor for dissolution or liquidation, the voluntary or involuntary termination or dissolution of any Borrower or Guarantor or the merger or consolidation of any Borrower or Guarantor with or into another entity; (g) the insolvency, or the business failure of, or the appointment of a custodian, trustee, liquidator or receiver for or of any of the property of, or the assignment for the benefit of creditors by, or the filing of a petition under bankruptcy, insolvency or debtor's relief law or the filing of a petition for any adjustment of indebtedness, composition or extension by or against any Borrower or Guarantor; (h) the sole determination by Bank that any representation or warranty to Bank in any Loan Document or otherwise to Bank was untrue or materially misleading when made; (i) the failure of Guarantor or Borrower to timely deliver such financial statements including tax returns and all schedules, or other statements of condition or other information, as Bank shall request from time to time; (j) the entry of a judgment against Borrower or Guarantor which Bank deems to be of a material nature in the sole discretion of Bank; (k) the seizure or forfeiture of any of Borrower or Guarantor's property, or the issuance of any writ of possession, garnishment or attachment, or any turnover order; (l) the sole determination by Bank that Guarantor or Borrower jointly or severally, has suffered a material adverse change in its financial condition; (m) the determination by Bank that for any reason it is insecure; (n) any lien or additional security interest being placed upon any collateral which is security for any Loan Document; or for the failure of Borrower's business to comply with any law or regulation controlling the operation of Borrower's business.

13. Remedies. Upon the failure of Guarantor to fulfill "its duty to pay all Liabilities and perform and satisfy all Obligations as required hereunder. Bank shall have all of the remedies of a creditor and, to the extent applicable, of a secured party, under all applicable law, and without limiting the generality of the foregoing, Bank may, at its option and without notice or demand: (a) declare any Liability due and payable at once; (b) take possession of any collateral pledged by Borrower or Guarantor wherever located, and sell, resell, assign, transfer and deliver all or any part of said collateral of Borrower or Guarantor at any public or private sale or otherwise dispose of any or all of the collateral in its then condition, for cash or on credit or for future delivery, and in connection therewith Bank may impose reasonable conditions upon any such sale, and Bank, unless prohibited by law the provisions of which cannot be waived, may purchase all or any part of said collateral to be sold, free from and discharged of all trusts, claims, rights or redemption and equities of Borrower or Guarantor whatsoever; Guarantor acknowledges and agrees that the sale of any collateral through any nationally recognized broker-dealer, investment banker or any other method common in the securities industry shall be deemed a commercially reasonable sale under the Uniform Commercial Code or any other equivalent statute or federal law, and expressly waives notice thereof except as provided herein; and (c) set-off against any or all liabilities of Guarantor all money owed by Bank or any of its agents or affiliates in any capacity to Guarantor whether or not due, and also set-off against all other Liabilities of Guarantor to Bank all money owed by Bank in any capacity to Guarantor, and if exercised by Bank. Bank shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of such default although made or entered on the books subsequent thereto.

Bank shall have a properly perfected security interest in all of Guarantor's funds on deposit with Bank to secure the balance of any Liabilities and/or Obligations that Guarantor may now or in the future owe Bank. Bank is granted a contractual right of set-off and will not be liable for dishonoring checks or withdrawals where the exercise of Bank's contractual right of set-off or security interest results in insufficient funds in Guarantor's account. As authorized by law, Guarantor grants to Bank this contractual right of set-off and security interest in all property of Guarantor now or at anytime hereafter

in the possession of Bank, including but not limited to any joint account, special account, account by the entireties, tenancy in common, and all dividends and distributions now or hereafter in the possession or control of Bank.

14. Attorney Fees, Cost and Expenses. Guarantor shall pay all costs of collection and reasonable attorney's fees, including reasonable attorney's fees in connection with any suit, mediation or arbitration proceeding, out of Court payment agreement, trial, appeal, bankruptcy proceedings or otherwise, incurred or paid by Bank in enforcing the payment of any Liability or defending this agreement.

15. Collateral. Bank at all times and from time to time shall have the right to require Guarantor to deliver to Bank collateral satisfactory to Bank to secure Guarantor's undertakings hereunder and/or the Liabilities of Guarantor hereunder.

16. Preservation of Property. Bank shall not be bound to take any steps necessary to preserve any rights in any property pledged as collateral to Bank to secure Borrower and/or Guarantor's Liabilities and Obligations as against prior parties who may be liable in connection therewith, and Borrower and Guarantor hereby agree to take any such steps. Bank, nevertheless, at any time, may (a) take any action it deems appropriate for the care or preservation of such property or of any rights of Borrower and/or Guarantor or Bank therein; (b) demand, sue for, collect or receive any money or property at any time due, payable or receivable on account of or in exchange for any property pledged as collateral, to Bank to secure Borrower and/or Guarantor's Liabilities to Bank; (c) compromise and settle with any person liable on such property; or (d) extend the time of payment or otherwise change the terms of the Loan Documents as to any party liable on the Loan Documents, all without notice to, without incurring responsibility to, and without affecting any of the Obligations or Liabilities of Guarantor.

17. ARBITRATION. ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING BUT NOT LIMITED TO THOSE ARISING OUT OF OR RELATING TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT OR ANY RELATED INSTRUMENTS, AGREEMENTS OR DOCUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."). AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY

VA061

-3-

Approved: 07/01/95
Revised: 05/30/96

INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

A. SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE COUNTY OF ANY BORROWER'S DOMICILE AT THE TIME OF THE EXECUTION OF THIS INSTRUMENT. AGREEMENT OR DOCUMENT AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR; IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL 60 DAYS.

B. RESERVATION OF RIGHTS. NOTHING IN THIS ARBITRATION PROVISION SHALL BE DEEMED TO (I) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS INSTRUMENT, AGREEMENT OR

DOCUMENT; OR (II) BE A WAIVER BY BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. SEC. 91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW; OR (III) LIMIT THE RIGHT OF BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT. NEITHER THIS EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

18. Controlling Document. To the extent that this Continuing and Unconditional Guaranty conflicts with or is in any way incompatible with any other Loan Document concerning this Obligation, any promissory note shall control over any other document, and if such promissory note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

19. Execution Under Seal. This Guaranty is being executed under seal by Guarantor.

20. NOTICE OF FINAL AGREEMENT. THIS WRITTEN CONTINUING AND UNCONDITIONAL GUARANTY REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be executed under seal on the 23rd day of December, 1997.

Witnessed By: Corporate or Partnership Guarantor:
TAKE-TWO INTERACTIVE SOFTWARE. INC.
By: /s/ Ryan A. Brant [Seal]

Name: Name: RYAN A. BRANT
Title: Title: C.E.O.

/s/ Barbara A. Ras

Attest (If Applicable)

(Corporate Seal)

State of New York)
County of New York)

This instrument was acknowledged before me on December 23, 1997, by RYAN A. BRANT, Chief Executive Officer of Take-Two Interactive Software. Inc., a corporation, on behalf of said corporation.

/s/ Gloria H. Cohan

Notary Public in and for the State of
New York

(Seal) Gloria H. Cohan

Print Name of Notary

5/18/98

My Commission Expires

VA061

-4-

Approved: 07/01/95

Revised: 05/30/96

NationsBank Borrowing Base Agreement
=====

1. Borrowing Base The aggregate principal amount of all amounts from time to time advanced pursuant to the terms of that promissory note dated December 19, 1997 in the principal amount of \$5,000,000 (the "Note") shall not exceed the Maximum Amount.

"Maximum Amount" shall mean the lesser of \$5,000,000 or the Borrowing Base. The "Borrowing Base" at any time, shall be equal to 80% of Eligible Accounts Receivable:

plus 50% of the value of Eligible Inventory, provided, however, that the outstanding principal balance of all advances against Borrower's Eligible Inventory shall not at any time exceed in the aggregate \$5,000,000

As used herein, "Eligible Accounts Receivable" shall mean all accounts receivable of Borrower which have been created in the ordinary course of Borrower's business and upon which Borrower's right to receive payment is absolute and not contingent upon the fulfillment of any condition whatsoever, and shall not include:

any account which is more than 90 days past due;

any account for which there exists a right of set off, defense or discount, except regular discounts allowed in the ordinary course of business to promote prompt payment and (for which no defense or counterclaim has been asserted);

any account which arises out of a contract or order which, by its terms, forbids or makes void or unenforceable any assignment by Borrower to Bank of the account receivable arising with respect thereto;

Any account arising from a "sale on approval," "sale or return," "consignment," or subject to any other repurchase or return agreement;

that portion of any account from a Customer or Borrower which represents the amount by which Borrower's total accounts from such Customer exceeds 20% of Borrower's total accounts, excepting any account from Blockbuster Music, provided that such account is no more than 30 days past due.

and any account on which the Bank is not or does not continue to be, in the Bank's sole discretion, satisfied with the credit standing of the Customer of Borrower in relation to the amount of credit extended.

"Eligible Inventory" shall mean all of Borrower's inventory other than (a) work in process and supplies; (b) in the event that the Bank has taken a security interest in the inventory, all inventory in which the Bank does not have a first priority perfected security interest; (c) inventory on consignment; (d) repossessed inventory; (e) obsolete inventory; (f) inventory that is not in good condition or that fails to meet government standards; and (g) inventory that the Bank in its sole discretion determines to be ineligible. Inventory will be valued based on book value. As used herein, the term "book value" shall mean.

"Customers" shall mean the account debtors obligated on the Accounts Receivables.

"Accounts Receivables" shall mean all of the Borrower's accounts, instruments, contract rights, chattel paper, document, and general intangibles arising from the sale of goods and/or the rendition of services by the Borrower in the ordinary course of business, and the proceeds thereof and all security and guaranties therefore, whether now existing or hereafter created, and all returned, reclaimed or repossessed goods, and all books and records pertaining to the foregoing.

"Inventory" shall mean all of the Borrower's inventory, including: all raw materials, work-in-process and finished goods of every kind and character, whether presently in existence or hereafter acquired and wherever located.

2. Advances. The amounts of advances under the Note shall be determined in the sole discretion of the Bank consistent with the value of the Eligible Accounts Receivable and the Eligible Inventory, taking into account all fluctuations of the value thereof in light of the Bank's experience and sound business principles. The Bank shall be under no obligation to make any advance to Borrower in excess of the limitations stated above.

3. Reporting. In addition to any reporting requirements required under the Loan Agreement to which this Borrowing Base Addendum is attached, the Borrower will submit the following in form and substance satisfactory to Bank:

Accounts Receivable Aging. Not later than 15 days after and as of the end of each month, a listing of accounts receivable aged from date of invoice.

Borrowing Base Certificate. Not later than 15 days after and as of the end of each month, a borrowing base certificate.

Inventory Listing: Not later than 15 days after and as of the end of each quarter, a listing of accounts receivable aged from date of invoice

4. Mandatory Payment In the event the aggregate principal outstanding balance of advances under the Note exceed the Maximum Amount, Borrower shall immediately and without notice or demand of any kind, make such payments as shall be necessary to reduce the principal balance of the Note below the Maximum Amount.

Borrower: Inventory Management Systems, Inc.

By: /s/ David P. Clark (Seal)

Name: David P. Clark
Title: President

Borrower: Alliance Inventory Management, Inc.

By: /s/ David P. Clark (Seal)

Name: David P. Clark
Title: President

Attest:

By: /s/ Barbara A. Ras (Seal)

Name: Barbara A. Ras
Title: Secretary

Bank:

NationsBank, N.A.

By: _____

NationsBank Borrowing Base Certificate

=====
Status as of, 19

In accordance with the terms of the Borrowing Base Agreement attached as Exhibit A to that Loan Agreement dated December 16, 1997, by and between Inventory Management Systems, Inc. and Alliance Inventory Management, Inc. and NationsBank, N.A., we hereby represent and warrant as follows:

1. Total Accounts Receivable	\$	-----
2. Less ineligible accounts receivable (as set forth in the Borrowing Base Agreement)	\$	-----
3. Net Accounts Receivable	\$	-----
4. a. ___% of Eligible Accounts Receivable	\$	-----
b. ___% of Eligible Inventory (not to exceed \$_____)	\$	-----
c. ___% of _____	\$	-----
d. Less _____	\$	-----
e. Total Available	\$	-----
5. Maximum loan amount	\$	-----
6. Outstanding balance as of report date	\$	-----
7. Available for further advances (lessor of		

line 4e or line 5 minus line 6)

\$

Borrower:

Inventory Management Systems, Inc.

By:
