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): July 29, 1997

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

Delaware	0-29230	11-3299195
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

A. Acquisition of GameTek (UK) Limited, Alternative Reality Technologies, Inc. and Certain Assets of GameTek (FL), Inc.

On July 29, 1997, the Company acquired all of the outstanding capital stock of GameTek (UK) Limited ("GameTek") and Alternative Reality Technologies, Inc. from GameTek (FL), Inc. ("GameTek (FL)"). GameTek is in the business of distributing computer software games in Europe and other international markets and ART is a developer of computer software games. In addition, the Company acquired certain software games from GameTek (FL), including Dark Colony, The Quivering and The Reap. The acquisitions were effectuated pursuant to an Asset and Stock Purchase Agreement dated July 29, 1997 by and among the Company, GameTek, ART and GameTek (FL).

The consideration for the acquisition consisted of (i) the payment of $50,000 in cash, (ii) the issuance of 406,553 restricted shares of Common Stock of the Company, (iii) the issuance of an unsecured promissory note of the Company in the principal amount of $500,000 to GameTek (FL)'s secured creditor, which provides for the payment of principal in two equal annual installments of $250,000 on July 29, 1998 and July 29, 1999 and bears interest at a rate of 8% per annum, payable quarterly, (iv) the issuance of a promissory note in the principal amount of $200,000 payable to GameTek (FL) together with accrued interest on September 15, 1997 and (v) a tax refund of approximately 250,000

pounds sterling owed to GameTek in respect of fiscal 1994 and fiscal 1995. The Company was directed to pay a portion of the consideration directly to Ocean Bank, GameTek, Inc.'s secured creditor.

Subject to certain limitations and exclusions, the Company agreed to include the Common Stock issued in connection with the acquisition in a Registration Statement on Form S-3 to be filed under the Securities Act of 1993, as amended, in April 1998, and granted certain "piggyback" registration rights with respect to such Common Stock.

Simultaneously with the consummation of the acquisition, GameTek entered into an employment agreement with Mr. Kelly Sumner, an executive officer of GameTek, pursuant to which Mr. Sumner agreed to continue his employment with GameTek as President/Managing Director for a three-year term. The agreement provides that Mr. Sumner is entitled to an annual salary of 100,000 pounds sterling, plus an annual bonus equal to 7.5% of the net pre-tax profits of GameTek. Mr. Sumner also agreed not to engage in any business which is a competitor of GameTek in either England or Wales during the term of the employment agreement and for a period of six months after termination of his employment with GameTek (or an affiliate or subsidiary of GameTek).

The Company also entered into two distribution agreements with GameTek, Inc., the parent of GameTek (FL), pursuant to which GameTek, Inc. granted to the Company the right to distribute computer software and related imagery for use on the Nintendo Gameboy portable console (the "Gameboy Distribution Agreement") and the Wheel of Fortune and Jeopardy! games for use on the N64 console game system (the "Jeopardy Distribution Agreement").

Pursuant to the terms of the Gameboy Distribution Agreement, the Company was granted the exclusive right to sell and distribute Wheel of Fortune -- German Edition, Pinball Deluxe, Race Days and Humans in certain European Economic Community countries for a period commencing on July 29, 1997 and ending on the third anniversary of the release of the first computer software game, but in no event later than July 28, 2001. In consideration for such rights, the Company has agreed to pay to GameTek, Inc. (i) the aggregate cost to GameTek, Inc. of manufacturing, shipping and insuring the games, (ii) $.15 per game unit and (iii) the aggregate of all royalties payable by GameTek, Inc. to third parties in respect of each such game. Upon expiration of the Gameboy Distribution Agreement, provided such termination was not as a result of a breach or default by the Company, the Company is permitted to continue to sell existing inventories for a six-month period, subject to the terms and conditions of such agreement.

Pursuant to the terms of the Jeopardy Distribution Agreement, the Company was granted the exclusive worldwide right to sell and distribute Wheel of Fortune and Jeopardy! for use on the Nintendo N64 game system for a period commencing on July 29, 1997 and ending on the August 31, 1998; provided that in the event GameTek, Inc. is able to obtain an extension of its license for Wheel of Fortune and Jeopardy!, then the term shall extend through the last day of any such extension. In consideration for such rights, the Company agreed to pay to GameTek, Inc. (i) the total cost charged to GameTek, Inc. by Nintendo for the manufacture of each game (plus, to the extent not included in the foregoing, the cost of insurance and transportation charges, import duties, custom fees and similar charges incurred in shipping the games), (ii) a per game unit royalty payment (the "GameTek Share") and (iii) the aggregate of all royalties payable by GameTek, Inc. to third parties in respect of each such game. The Company also agreed to pay to GameTek, Inc. a minimum aggregate GameTek Share with respect to the first two game titles released, subject to certain reductions and set-offs, $450,000 of which was paid upon the execution of the agreement. Such amounts may be recouped in the event GameTek, Inc. is unable to obtain an extension of its license for Wheel of Fortune and Jeopardy! or the Company's incurring more than $150,000 in advertising, marketing, promotion and sales support for the software. In addition, in the event the Company elects to terminate the Jeopardy Distribution Agreement as a result of GameTek, Inc.'s breach with respect to a specific game or games, GameTek, Inc. is

required to repay to the Company any unrecouped portion of the minimum aggregate GameTek Share allocable to such game. The Company may also require GameTek, Inc. to purchase from the Company any remaining inventory with respect to such game. Upon expiration of the Jeopardy Distribution Agreement, provided such termination was not as a result of a breach or default by the Company, the Company is permitted to sell existing inventories for a six-month period, subject to the terms and conditions of such agreement.

B. Acquisition of Inventory Management Systems, Inc. and Creative Alliance Group, Inc.

On July 31, 1997, the Company acquired all of the outstanding capital stock of Inventory Management Systems, Inc. ("IMSI") and Creative Alliance Group, Inc. ("CAG"). Pursuant to Agreements and Plans of Merger (the "Merger Agreements"), by and among the Company, Take-Two Acquisition Corp., a wholly-owned subsidiary of the Company (the "Subsidiary"), IMSI, CAG, David Clark, Karen Clark, Terry Phillips, Cathy Phillips and Russell Howard (the "Stockholders"), each of IMSI an CAG were merged with and into the Subsidiary and all of the outstanding shares of common stock of each of IMSI and CAG were converted into an aggregate of 900,000 shares (the "Shares") of restricted Common Stock of the Company (the "Merger"). IMSI and CAG are engaged in the wholesale distribution of interactive software games. The Company intends to account for the acquisition of IMSI and CAG as a pooling transaction.

Simultaneously with the consummation of the Merger, the Subsidiary entered into a three-year employment agreement with Mr. Clark and entered into a three-year consulting agreement with Mr. Phillips. Pursuant to such agreements, each of Messrs. Clark and Phillips are entitled to receive 6% of earnings before interest and taxes generated by the Subsidiary up to $500,000 and 9% of earnings before interest and income taxes in excess of $500,000. Mr. Clark is also entitled to receive a base salary of $120,000 per annum pursuant to his employment agreement. The Company also entered into a Registration Rights Agreement with the Stockholders pursuant to which the Company agreed to grant certain "piggyback" registration rights with respect to up to 250,000 of the Shares.

The source of the consideration paid in each of the foregoing transactions 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 transactions was determined by arms'-length negotiations.

The descriptions of the agreements described herein are qualified in their entirety by reference to such agreements which are attached as exhibits to this Report and which 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 acquisitions 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 acquisitions will be filed by amendment within 60 days of the date this report was required to be filed.

(c) Exhibits

Exhibit 1 - Asset and Stock Purchase Agreement dated July 29, 1997 by and among the Company, GameTek, ART and GameTek (FL).

Exhibit 2 - Promissory Note dated July 29, 1997 in the principal amount of $500,000.

Exhibit 3 - Promissory Noted dated July 29, 1997 in the principal amount of $200,000.

Exhibit 4 - Employment Agreement between GameTek and Kelly Sumner.

Exhibit 5 - Gameboy Distribution Agreement.

Exhibit 6 - Jeopardy Distribution Agreement*.

Exhibit 7 - Agreement and Plan of Merger dated July 10, 1997 by and among the Company, the Subsidiary, IMSI, David Clark, Karen Clark, Terry Phillips and Cathy Phillips.

Exhibit 8 - Agreement and Plan of Merger dated July 31, 1997 by and among the Company, the Subsidiary, CAG, David Clark, Terry Phillips and Russell Howard.

Exhibit 9 - Employment Agreement between the Subsidiary and David Clark.

Exhibit 10 - Consulting Agreement between the Subsidiary and Terry Phillips.

Exhibit 11 - Registration Rights Agreement by and among the Company, David Clark, Karen Clark, Terry Phillips, Cathy Phillips and Russell Howard.

Exhibit 12 -- Registration Rights Agreement by and among the Company and GameTek, Inc.

* Pursuant to Rule 24b-2 promulgated under the Securities and Exchange Act of 1934, as amended, confidential treatment has been requested for certain portions of this agreement. Such confidential information has been (i) omitted from this agreement, (ii) marked with asterisks (**) and (iii) filed separately with the Securities and Exchange Commission.

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: August 13, 1997

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

ASSET AND STOCK PURCHASE AGREEMENT

AGREEMENT, dated as of the 29th day of July 1997, by and among GameTek (UK) Limited ("GameTek"), a United Kingdom corporation, Alternative Reality Technologies, Inc. ("ART"), a Florida corporation (GameTek and ART are sometimes hereinafter collectively referred to as "Sellers"), GameTek (FL), Inc., a Florida corporation (the "Stockholder") and Take Two Interactive Software, Inc. ("Buyer").

W I T N E S S E T H :

WHEREAS, the Stockholder is the owner of all of the issued and outstanding Common Stock of the Sellers; and

WHEREAS, the Stockholder is also the owner of certain assets which the Buyer wishes to purchase; and

WHEREAS, the Sellers are engaged in the business of creating, developing and/or distributing computer software games (the "Business"); and

WHEREAS, the Stockholder wishes to sell to Buyer, and Buyer wishes to purchase from Stockholder, all of Stockholder's right, title and interest in (i) PC CD software games known as Dark Colony, Quarantine and Road Warrior (the "Existing Titles"), (ii) the PC CD software games known as Guardians of Justice, the Reap and all other software programs and PC CD games being developed in GameTek's office (the "UK Titles") and (iii) all of the outstanding capital stock of the Sellers (the "Stock").

WHEREAS, simultaneously herewith Buyer and Stockholder are entering into a distribution agreement (the "Gameboy Distribution Agreement"), a copy of which is annexed hereto as Exhibit A pursuant to which Buyer shall receive the European distribution rights to all Gameboy Titles currently published by the Stockholder (the "Gameboy Titles").

WHEREAS, simultaneously herewith, Buyer and Stockholder are entering into a distribution agreement (the "Jeopardy Distribution Agreement"), a copy of which is annexed hereto as Exhibit A-1 (the Jeopardy Distribution Agreement and the Gameboy Distribution Agreement are hereinafter sometimes referred to collectively as the "Distribution Agreements").

NOW, THEREFORE, in consideration of and in reliance upon the covenants, conditions, representations and warranties herein contained, the parties hereto hereby agree as follows:

1. Purchase and Sale Agreement.

1.1 Agreement of Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties, covenants and conditions herein contained, Stockholder is (a) selling, conveying, assigning, transferring and delivering to Buyer, and Buyer is purchasing from Stockholder, the Purchased Assets (as defined in subparagraph 1.2 hereof), free and clear of any and all liens, claims, charges or encumbrances of any nature whatsoever other than those created by third party agreements set forth on Schedule 1.3 and those that are reflected on or referred to in the financial statements identified in section 4.6 hereof (collectively, the "Permitted Encumbrances").

1.2 Purchased Assets. As used in this Agreement, the term "Purchased Assets" means (i) all of Stockholder's rights, title and interest in the Existing Titles, and (ii) all of Stockholder's rights, title and interest in the UK Titles; (the Existing Titles, and the UK Titles are sometimes hereinafter collectively referred to as the "Software Assets"); and (iii) the Stock. Schedule 1.2 contains a complete list of all Existing Titles and all UK Titles. The transfer of the Existing Titles and the UK Titles (and the term "Purchased Assets") includes all of Stockholder's right, title and interest in all forms of expression and media, including but not limited to the source code, object code, flowcharts, block diagrams, and all related documentation; and all trade secrets, know-how, inventions (whether or not patentable), proprietary rights and intellectual property contained therein, including, without limitation, all copyrights, trademarks and patents and all applications therefor, goodwill, all right, title, interest and benefit of Stockholder in, to, and under, and subject to, all agreements, contracts and licenses entered into by Stockholder, or having Stockholder as a beneficiary, and pertaining to the Existing Title and UK

Titles and all System Documentation and End User Documentation (as hereinafter defined).

1.3 Assumed Liabilities. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations, warranties, covenants and conditions herein contained, Buyer is assuming, and shall only assume all obligations of Sellers, Stockholder and/or the entities listed on Schedule 1.3 as Stockholder's affiliates (the "Affiliates") under the third-party agreements relating to the Existing Titles and the UK Titles, all of which agreements are listed on Schedule 1.3 (the "Assumed Agreements") (the assumed liabilities set forth above are collectively referred to hereinafter as the "Assumed Liabilities"). All of Stockholders liabilities and obligations which are not being assumed by Buyer pursuant hereto are hereinafter collectively called the "Retained Liabilities".

1.4 Purchase Price. The purchase price for the Purchased Assets consists of the following: (a) $50,000, (b) 406,553 shares (the "Stock Consideration") of the common stock of

the Buyer, (c) two unsecured promissory notes in the principal amounts of $500,000 and $200,000, respectively (the "Promissory Notes") of Buyer, in the form annexed hereto as Exhibit B-1 and B-2, (d) the assumption by Buyer of all of the Assumed Liabilities pursuant to the Assumption and Assignment Agreement attached hereto as Exhibit C and (e) the tax refund, if any, referred to in Section 3.7 (the aggregate of (a), (b), (c), (d) and (e) is collectively referred to hereinafter as the "Purchase Price").

2. Closing.

2.1 Closing Date. This Agreement shall be executed, and the closing of the sale and purchase provided for herein (the "Closing") shall take place at 10 a.m., New York time, at the offices of Tenzer Greenblatt LLP, 405 Lexington Avenue, 23rd Floor, New York, New York 10174 on the date hereof (such time and date of Closing being hereinafter called the "Closing Date").

2.2 Action by Buyer. Simultaneously herewith, Buyer is delivering or causing to be delivered to Stockholder (in addition to the documents and instruments to be delivered by it pursuant to paragraph 3 hereof), (a) on account of the Purchase Price (i) $50,000, (ii) the Promissory Notes, (iii) certificates representing the Stock Consideration registered as directed by the Stockholder and (b) an opinion of Tenzer Greenblatt LLP, counsel to the Buyer, dated the Closing Date, in substantially the form annexed hereto as Exhibit D and (c) the Assumption and Assignment Agreement.

2.3 Action by Stockholder. Simultaneously herewith, Stockholder is delivering to Buyer (in addition to the documents and instruments to be delivered by it pursuant to paragraph 3 hereof): (i) a duly executed Bill of Sale and Assignment in substantially the form attached hereto as Exhibit E with respect to the Software Assets, (ii) all such patent, trademark, trade name and copyright assignments (in the form attached hereto as Exhibit F), (iii) the Distribution Agreements, (iv) an opinion of Ackerman, Levine & Cullen, LLP, counsel for Stockholder and Sellers, dated the Closing Date, in substantially the form of Exhibit G hereto and (v) all third party consents and governmental and administrative approvals, as are, in the opinion of Buyer, necessary or appropriate in order to convey, transfer and assign to and vest in Buyer good and marketable right, title and interest in and to the Purchased Assets free and clear of all liens, security interests, claims, charges and encumbrances of any nature whatsoever, except for consents or approvals required under any agreement set forth in Schedule 1.3 and indicated thereon the Permitted Encumbrances, and (vi) certificates representing the Stock with stock powers duly executed in blank. Simultaneously herewith, Stockholder is delivering (i) the entire inventory of copies of the Existing Titles and the UK Titles in object form, consisting of disks together with all improvements,

corrections, modifications, updates enhancements or other changes; (2) a master copy of the software (in both source and object code format of the Existing Titles and the UK Titles), in a form suitable for copying (to the extent such masters exist); and (3) all existing System Documentation and User Documentation. System Documentation means all documentation used in the development and updating of the Existing and U.K. Titles, including but not limited to, design or development specifications, error reports, and related correspondence and memoranda. User Documentation means the end-user instruction manual that usually accompanies the Existing Titles and UK Titles instructing end users in the use of the Existing Titles and UK Titles in both printed and electronic form.

3. Additional Covenants.

3.1 Further Assurances. Stockholder hereby agrees that it shall from time to time after the Closing Date, at Buyer's sole cost and expense, take any and all actions, and execute, acknowledge, deliver, file and/or record any and all documents and instruments, as Buyer may reasonably request, in order to more fully perfect the rights which are intended to be granted to Buyer hereunder.

3.2 Payment of Taxes Upon Transfer of Purchased Assets. Stockholder shall be responsible for, and shall pay, any and all sales, use, purchase, transfer and similar taxes, and any and all filing, recording, registration and similar fees, arising out of the transactions contemplated by this Agreement.

3.3 Survival of Representations and Warranties. Each of the parties hereto hereby agrees that all representations and warranties made by or on behalf of it in this Agreement or in any document or instrument delivered pursuant hereto shall survive the Closing Date and the consummation of the transactions contemplated hereby for a period of eighteen (18) months, provided, however, that the representations and warranties set forth in Section 4.13 (taxes), Section 4.4 (authority) and Section 4.8 (assets free and clear) shall continue until the expiration of the applicable statute of limitations.

3.4 Books and Records. Stockholder shall, for a period of at least three years following the Closing Date, maintain and make available to Buyer and its representatives for inspection and reproduction, during regular business hours, all books and records relating to Sellers, the Purchased Assets, the Business or the Assumed Liabilities which are not included among the Purchased Assets and which are retained by the Stockholder. Buyer shall, for a period of at least three years following the Closing Date, maintain and make available to Stockholder and its representatives for inspection and reproduction, during regular business hours upon reasonable notice, all books and records relating to Sellers, which are included among the Purchased Assets or delivered to or left in the possession of Sellers, but

only insofar as said books and records relate to periods ending on or prior to the Closing Date.

3.5 Employment Agreement. Simultaneously herewith, Kelly Sumner is delivering to GameTek an Employment Agreement in the form annexed hereto as Exhibit I.

3.6 Discharge of Liens. Stockholder or Sellers have caused all liens, claims, charges and encumbrances upon any of the Purchased Assets or any of the assets of either Seller that are not reflected or referred to in the latest financial statements referred to in Section 4.6 hereof or that did not arise after the date thereof in the ordinary course of business, to be terminated or otherwise discharged at or prior to the Closing other than the Permitted Encumbrances.

3.7 Cancellation of Intercompany Indebtedness. On or prior to the Closing Date, each of Stockholder and any Affiliate shall cause all intercompany indebtedness due from Sellers to Stockholder and any Affiliate to be converted into equity. Any tax refunds due to and received by either GameTek or ART in respect of periods prior to the Closing Date which are not reflected on the balance sheet of Sellers previously furnished to Buyer shall be paid to Stockholder as an additional payment of Purchase Price including, without limitation, the tax refund of approximately 250,000 pounds sterling owed to GameTek in respect of fiscal 1994 and fiscal 1995. Buyer, Sellers and Stockholder shall cooperate with each other and use their reasonable best efforts to obtain such refund and cause the same to be paid to Stockholder promptly.

3.8 Liabilities. Subsequent to the Closing Date, Stockholder shall pay, discharge and perform the Retained Liabilities in due course and Sellers shall pay, discharge and perform Seller's Liabilities (as hereinafter defined) in due course. Seller's Liabilities shall mean all obligations and liabilities of Sellers existing as of the date hereof whether matured, unmatured or contingent, known or unknown.

3.9 Registration Rights. Simultaneously herewith, Buyer and Stockholder are executing and delivering a registration rights agreement in substantially the form annexed hereto as Exhibit J (the "Registration Rights Agreement").

3.10 Certificate of Stockholder. Simultaneously herewith, Stockholder is delivering a certificate of the Secretary of Stockholder stating that the sale of all of the Stock and the Purchased Assets has been approved by the directors of Stockholder and annexing true and correct copies of the minutes approving the execution and delivery of the Agreement and the consummation of the transactions contemplated thereby.

3.11 Certificate of Buyer. Simultaneously herewith, Buyer is delivering a certificate by its Secretary stating that the acquisition of the Purchased Assets and the issuance of the Promissory Notes and Stock Consideration has been approved by the shareholders of Buyer and annexing a true and correct copy of the Buyer's minutes approving such acquisition.

3.12 Use of Name. Promptly after the execution hereof, and at its cost and expense, Buyer shall change the corporate name of each of each of the Sellers and GameTek Deutschland GmbH to a name bearing no resemblance to either Alternative Reality Technologies, Inc., GameTek (UK) Limited or GameTek Deutschland GmbH, the rights to which are being retained by Stockholder; provided, however, that the Buyer may continue to use the GameTek and ART names in connection with the disposition of existing finished goods inventory of games subject to existing purchase orders for finished goods inventory.

3.13 Cooperation. 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 opinion of any of the parties hereto, in respect of any statute, rule, regulation or order of any governmental or administrative body in connection with the transactions contemplated hereby, including, without limitation, the execution and filing of any financial reports or tax returns which are delinquent as of the Closing Date.

4. Representations and Warranties as to Seller and Stockholder. Sellers and the Stockholder hereby severally and not jointly represent and warrant to Buyer as follows:

4.1 Organization, Standing and Power. Each of the Stockholder, GameTek and ART is a corporation duly organized, validly existing and in good standing under the laws of Florida, the United Kingdom and Florida, respectively, with full corporate power and authority to own, lease and operate its respective properties and to carry on its respective business as presently conducted by it. There are no states or jurisdictions in which the character and location of any of the properties owned or leased by either of GameTek or ART, or the conduct of its respective 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 such entity. Copies of the Certificate of Incorporation of each of Stockholder, GameTek and ART and all amendments thereof, and of the By-laws of each of Stockholder, GameTek and ART, as amended to date, have been furnished to Buyer and are complete and correct. GameTek's and ART's respective minute books heretofore exhibited to Buyer contain complete and accurate records of all meetings and other corporate actions of their respective stockholders and Board of Directors (including committees of its Board of Directors).

4.2 Capitalization. The authorized capital stock of GameTek consists of 1,677,756 shares of Common Stock, par value one pound sterling per share, of which 1,050,601 shares are issued and outstanding. The authorized capital stock of ART consists of 200 shares of Common Stock, par value $0.01 per

share, of which 100 shares are issued and outstanding. Stockholder owns all of the Stock of the Sellers and has good and valid title to the Stock, free and clear of any and all liens, claims, charges and encumbrances of any nature whatsoever. The Stock has not been assigned, transferred, hypothecated or otherwise encumbered. There are no outstanding options, warrants, rights, calls, commitments, conversion rights, puts, plans or other agreements of any character to which Stockholder or the Sellers are a party or otherwise bound which provide for the acquisition or disposition of any of the Stock or any of the securities of either Seller. All of the Stock has been duly and validly issued and is fully paid and nonassessable.

4.3 Interests in Other Entities. Neither GameTek nor ART (A) own, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any other corporation except that GameTek Deutschland GmbH is a wholly owned subsidiary of GameTek, (B) have any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity, or (C) have 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 or capital investments or both other than those set forth on Schedule 4.3 annexed hereto.

4.4 Authority. The execution and delivery by Stockholder, GameTek and ART of this Agreement and of all of the agreements to be executed and delivered by each of them pursuant hereto (including, without limitation, the Distribution Agreements), the performance by each of them of its 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 Stockholder, GameTek and ART (including, but not limited to, the unanimous consent of their respective stockholders, if required, and Boards of Directors) and each of Stockholder, GameTek and ART has all necessary power with respect thereto. This Agreement is, and when executed and delivered by Stockholder and the Sellers (to the extent that they are parties thereto) each of the other agreements to be delivered by any or all of them pursuant hereto will be, the valid and binding obligation of Stockholder, GameTek and ART (to the extent that they are parties thereto) in accordance with its terms.

4.5 Noncontravention. Neither the execution and delivery by Stockholder and/or the Sellers of this Agreement or of any agreement to be executed and delivered by Stockholder and/or the Sellers pursuant hereto, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by Stockholder or the Sellers 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 the Stockholder or the Sellers, or (b) except as set forth on Schedule 1.3, 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 the Sellers or, with respect to the UK Titles, the Existing Titles or the GameBoy Titles (collectively the "Titles"), 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 the Sellers or the Stockholder may be bound or to which the Titles may be subject, or require any consent, approval or notice under the terms of any such document or instrument, or (c) except as set forth on Schedule 1.3, violate any order, writ, injunction, decree, law, statute, rule or regulation of any court or governmental authority which is applicable to Stockholder with respect to the UK Titles, the Existing Titles or the GameBoy Titles, or the Sellers, or (d) except as set forth on Schedule 1.3, result in the creation or imposition of any lien, claim, charge, restriction or encumbrance upon any of the properties or assets of the Sellers, or, with respect to the UK Titles, the Existing Titles or the GameBoy Titles or (e) except as set forth on Schedule 1.3, give any individual or entity a legally enforceable claim against Buyer, Stockholder, Sellers or the Stock.

4.6 Financial Statements. Attached to Schedule 4.6 are copies of GameTek's and ART's respective unaudited balance sheets as of June 15, 1997 (the "Balance Sheets"). Said Balance Sheets fairly present the financial position of each of GameTek and ART as at the dates thereof and each is true and correct in all material respects. Notwithstanding the foregoing or any other provision hereof to the contrary, neither Stockholder nor Sellers make any representation or warranty of any kind regarding the collectability of any account receivable or note receivable reflected on the Balance Sheets, the availability to any person or entity of any set-offs, contras, counterclaims, rights of recoupment or similar claims to any portion thereof, or with respect to the likelihood or amount of future product returns or claims for price protection, discounts, allowances or similar claims in respect of products sold prior to the Closing hereunder, or with respect to the inventory shown thereon except as provided in Section 4.11 below. Except as set forth on Schedule 4.6, the books and records of each of GameTek and ART are in all material respects complete and correct, have been maintained in accordance with good business practices, and accurately reflect the basis for the financial condition of each of GameTek and ART as set forth in the aforementioned financial statements.

4.7 Absence of Undisclosed Liabilities. Subject to the penultimate sentence of Section 4.6, and except for Permitted Encumbrances, Sellers have no liabilities or

obligations of any nature whatsoever, whether accrued, absolute, contingent or otherwise which have not been (i) in the case of liabilities and obligations of a type customarily reflected on a corporate balance sheet prepared in accordance with generally accepted accounting principles, set forth on the balance sheet described in subparagraph 4.6 above or (ii) 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, or (iii) incurred, consistent with past practice, in the ordinary course of business since June 15, 1997 (in the case of liabilities and obligations of the type referred to in clause (i) above).

4.8 Properties. (a) Stockholder has good and valid title to all of the Purchased Assets, free and clear of all mortgages, liens, pledges, claims, charges or encumbrances of any nature whatsoever ("Liens"), except for Permitted Encumbrances and for those which are described on Schedule 4.8 hereto.

(b) Except as set forth on Schedule 4.8 and except for Permitted Encumbrances, each Seller has good and valid title to all of the properties and assets, reflected on the Balance Sheet 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 Liens except for Permitted Encumbrances and Liens not yet due and payable or being contested in good faith by appropriate proceedings. All plants, structures and equipment which are utilized in the Sellers' Businesses, or are material to the condition (financial or otherwise) of either Seller are owned or leased by either Seller. Schedule 4.8 sets forth all (a) real property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by either Seller, or which is subject to a title retention or conditional sales agreement or other security device, and (b) tangible personal property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by either Seller.

(c) Except as otherwise provided herein or in any third party agreement identified in Schedule 1.3, Buyer shall receive, pursuant to this Agreement as of the Closing Date, complete and exclusive right, title and interest in and to all tangible and intangible property rights existing in the Existing Titles and UK Titles.

(d) Except as otherwise provided herein or in any third party agreement identified in Schedule 1.3, Stockholder has developed the Existing Titles and UK Titles entirely through its own efforts for its own account.

(e) To the best of Stockholder's knowledge, except as otherwise provided herein or in any third party agreement identified in Schedule 1.3, the Existing Titles and UK Titles do not infringe any patent, copyright or trade secret of any third party.

(f) Except as otherwise provided herein or in any third party agreement identified in Schedule 1.3, all personnel, including employees, agents, consultants, and contractors, who have contributed to or participated in the conception and development of the Existing Titles and UK Titles either (1) have been party to a work-for-hire relationship with Stockholder that has accorded Stockholder full, effective and exclusive original ownership of all tangible and intangible property arising with respect to the Existing Titles and UK Titles or (2) have executed appropriate instruments of assignment in favor of Stockholder as assignee that have conveyed to Stockholder full, effective and exclusive ownership of all tangible and intangible property thereby arising with respect to the Existing Titles and UK Titles.

4.9 Litigation. Other than as set forth in Schedule 4.9 annexed hereto, there are no suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best of the knowledge of Stockholder or Sellers, threatened, against or relating to Sellers, the Business or any of the Purchased Assets. There are no judgments, orders, stipulations, injunctions, decrees or awards in effect which relate to Sellers, the Business or any of the Purchased Assets, the effect of which is (A) to limit, restrict, regulate, enjoin or prohibit any business practice in any area, or the acquisition of any properties, assets or businesses, or (B) otherwise materially adverse to the Business or any of the Purchased Assets.

4.10 No Violation of Law. Sellers and/or Stockholder, as the case may be, are not engaging in any activity or omitting to take any action as a result of which (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 Sellers, the Business or any of the Purchased Assets, including, but not limited to, those relating to: occupational safety and health; 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); business practices and operations; labor practices; employee benefits; and zoning and other land use, and (B) Seller, the Business and/or any of the Purchased Assets have been or will be materially and adversely affected.

4.11 Inventories. To the best knowledge of Stockholder and Sellers, the inventories reflected on the Balance

Sheets and thereafter added 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, all of which have been written down to net realizable value or adequately reserved against on the books and records of GameTek, ART, or GameTek Deutschland GmbH, respectively.

4.12 Intellectual Property. Annexed hereto as Schedule 4.12 is a list containing a complete and correct list of all (A) United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part or used by Sellers or with respect to the Software Assets, and all applications therefor, (B) inventions, discoveries, improvements, processes, formulae, proprietary rights and trade secrets required for the development of the Software Assets and sequels thereof, and (C) licenses and other agreements to which Sellers or Stockholder (with respect to the Purchased Assets) are a party to or otherwise bound which relate to any of the foregoing. Except as expressly set forth in the documents listed in Schedule 4.8, (A) Sellers or Stockholder owns or has the right to use all of the foregoing; (B) no proceedings have been instituted, are pending or, to the best of the knowledge of Sellers and Stockholder are threatened, which challenge the rights of Sellers or Stockholder in respect thereto or the validity thereof; and (C) to the best of the knowledge of Sellers and Stockholder, none of the aforesaid violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; and (D) to the best knowledge of Sellers and Stockholder, none of the aforesaid is subject to any outstanding order, decree, judgment, stipulation or charge. The foregoing sentence notwithstanding, Buyer acknowledges that the title Dark Colony is subject to an existing distribution agreement with Strategic Simulations, Inc. and that the GameBoy Titles are subject to a distribution agreement with Microware, Inc., copies of which have been provided to Buyer. To the extent owned by Stockholder or Sellers, the Existing Titles and UK Titles are fully eligible for protection under applicable copyright law and has not been forfeited to te public domain; and that the source code and system specifications for the Existing Titles and UK Titles have been maintained in confidence.

4.13 Tax Matters. GameTek and ART, respectively, have filed with the appropriate governmental agencies all tax returns and reports required to be filed by it, and has paid in full or made adequate provision for the payment of, all taxes, interest, penalties, assessments and deficiencies shown to be due or claimed to be due on such tax returns and reports, except that ART has not yet filed tax returns for the fiscal year ending July 31, 1996. The provision for income and other taxes which is set forth on the balance sheets referred to in subparagraph 4.6

above, together with any available tax receivable or loss carryforward or other tax credit, are adequate for all accrued and unpaid income taxes of Sellers as of June 15, 1997, whether (A) incurred in respect of or measured by income of Sellers for any periods prior to the close of business on that date, or (B) arising out of transactions entered into, or any state of facts existing on or prior to that date. To the best knowledge of Stockholder and Sellers, Sellers have not executed or filed with any taxing authority any agreement extending the period for the assessment or collection of any income or other taxes, and is not a party to any pending or, to the best of the knowledge of Sellers, threatened, action or proceeding by any governmental authority for the assessment or collection of income or other taxes. The United States federal income tax returns of Seller have not been examined by the Internal Revenue Service ("the IRS"). Seller has paid all V.A.T. and other taxes due with respect to periods prior to the Closing to the extent due and payable on or before the date hereof. Buyer, Sellers and Stockholder will cooperate with each other in the filing of all required tax returns of Sellers for all periods ending on or prior to Closing.

4.14 Insurance. To the best knowledge of Stockholder and Sellers, annexed hereto as Schedule 4.14 is a list containing a complete and correct list and summary description of all policies of insurance relating to any of the Purchased Assets, the Business or in which Sellers or Stockholder is an insured party, beneficiary or loss payable payee. Such policies are in full force and effect, all premiums due and payable with respect thereto have been paid, and no notice of cancellation or termination has been received by Sellers or Stockholder with respect to any such policy.

4.15 Banks; Powers of Attorney. Schedule 4.15 is a complete and correct list showing (i) the names of each bank in which Sellers have an account or safe deposit box and the names of all persons authorized to draw thereon or who have access thereto, and (ii) the names of all persons, if any, holding powers of attorney from Sellers or Stockholder with respect to the Software Assets.

4.16 Employee Arrangements. To the best knowledge of Stockholder and Sellers, Schedule 4.16 is a complete and correct list and summary description of all (i) union, collective bargaining, employment, management, termination and consulting agreements to which Sellers are a party or otherwise bound, and (ii) compensation plans and arrangements; bonus and incentive plans and arrangements; deferred compensation plans and arrangements; pension and retirement plans and arrangements; profit-sharing and thrift plans and arrangements; stock purchase and stock option plans and arrangements; hospitalization and other life, health or disability insurance or reimbursement programs; holiday, sick leave, severance, vacation, tuition

reimbursement, personal loan and product purchase discount policies and arrangements; and other plans or arrangements providing for benefits for employees of Sellers. Said Schedule also lists the names and compensation of all employees of Seller whose earnings during the last fiscal year was U.S.$50,000 or more (including bonuses and other incentive compensation), and all employees who are expected to receive at least said amount in respect of the present year.

4.17 Certain Business Matters. Except as is set forth in Schedule 4.17 neither Sellers nor the Purchased Assets are (a) a party to or bound by any distributorship, dealership, sales agency, franchise or similar agreement which relates to the sale or distribution of the Purchased Assets, (b) to the best knowledge of Sellers and Stockholder, there are no pending, or to the best of the knowledge of Sellers threatened, labor negotiations, work stoppages or work slowdowns involving or affecting the Sellers' businesses, and, to the best of the knowledge of Sellers, no union representation questions exist, and there are no organizing activities, in respect of any of the employees of Sellers, or (c) to the best knowledge of Sellers and Stockholder, the product warranties given by Sellers, or Stockholder with respect to the Existing Titles, or by which they are bound (complete and correct copies or descriptions of which have heretofore been delivered by Sellers and Stockholder to Buyer) entail no greater obligations than are customary in the businesses of Sellers and Stockholder.

4.18 Certain Contracts. To the best knowledge of Sellers and Stockholder, set forth on Schedule 4.18 is a complete and correct list of all contracts, commitments, obligations and understandings which are not set forth in any other Schedule delivered hereunder and to which the Sellers are 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 Sellers will be terminable by Buyer) 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 Sellers or Stockholder of $5,000 (or the equivalent) or less calculated over the full term thereof, and (c) is not otherwise material to the Sellers' businesses. Also set forth on Schedule 4.18 is a complete and correct list of contracts, commitments, obligations and undertakings to which the Existing Titles and UK Titles are subject. Except as set forth in the immediately preceding sentence, there are no agreements or arrangements in effect with respect to the marketing, distribution, licensing or promotion of the Existing Titles and UK Titles by any independent salesperson, distributor, sublicensor or other remarketer or sales organization. To the best knowledge of Stockholder and Sellers, complete and correct copies of all contracts, commitments, obligations and undertakings set forth on any of the Schedules delivered pursuant to this Agreement have been furnished by Sellers and Stockholder to Buyer or have been made available for Buyer's inspection at

Seller's offices, and except as expressly stated on the Schedule on which they are set forth to the best of Seller's knowledge, (a) each of them is in full force and effect, no person or entity which is a party thereto or otherwise bound thereby is in default thereunder, and, to the best of the knowledge of Sellers and Stockholder, no event, occurrence, condition or act exists which does (or which with the giving of notice or the lapse of time or both would) give rise to a default or right of cancellation, acceleration or loss of contractual benefits thereunder; (b) there has been no threatened cancellations thereof, and there are no outstanding disputes thereunder; except, in any of the foregoing cases, where such default, cancellation or the like (i) would not have a materially adverse effect on the Business, the Sellers or the value of the Purchased Assets or (ii) results from the change of control, transfer, sale and assignment effected by the terms of the agreements identified on Schedule 1.3 by reason of the Closing under this Agreement.

4.19 Approvals. Set forth on Schedule 4.19 hereto, is a complete and correct list of all governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises which, to Stockholder's knowledge, are necessary for the operation of the Sellers' businesses, all of which have been obtained by Sellers and are in full force and effect.

4.20 Business Practices and Commitments. Intentionally Omitted.

4.21 Brokers. No agent, broker, person, or firm acting on behalf of Sellers or Stockholder, or under their respective authority, is or will be entitled to a financial advisory fee, brokerage commission or other like payment in connection with any of the transactions contemplated hereby except for the fee payable by Stockholder to Tanner & Company.

4.22 Customers and Suppliers. Stockholder has previously provided to Buyer, to the best of Stockholder's knowledge, a complete and correct list setting forth, for each of GameTek and ART, for the twelve months ended July 31, 1996 and July 31, 1997 (projected), (a) the 10 largest customers of each Seller's businesses and the amount for which each such customer was invoiced, and (b) the 10 largest suppliers of each Seller's businesses and the amount of goods and services purchased from each such supplier. To the Stockholder's knowledge, the aforesaid suppliers and customers will continue their respective relationships with the Sellers after the Closing Date on substantially the same basis as now exists.

4.23 Information as to Sellers and Stockholder. None of the representations or warranties made by Sellers or Stockholder 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.

4.24 Nature of Securities. Stockholder understands 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.

4.25 Investment Representations. (i) Stockholder or its representatives have received and carefully reviewed Buyer'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, Stockholder has not been furnished with any other materials or literature relating to the Buyer or the Stock Consideration; (ii) Stockholder or its representatives have had a reasonable opportunity to ask questions of and receive answers from Buyer concerning Buyer and the Stock Consideration.

4.26 As used herein, the terms "to the best of Stockholder's knowledge", "to the best of Sellers' knowledge" or words of similar import shall mean only the actual knowledge of J. William Blue, Jr., Robert L. Underwood III, J. Thomas Reuterdahl or Max Rudminat.

5. Representations and Warranties as to Buyer. Buyer hereby represents and warrants to Stockholder as follows:

5.1 Organization, Standing and Power. Buyer 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.

5.2 Authority. The execution and delivery by Buyer of this Agreement and of each agreement, document and instrument to be executed and delivered by it pursuant hereto, the compliance by Buyer with the provisions hereof and thereof, 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 Buyer, and Buyer has all necessary corporate power with respect thereto. This Agreement is, and when executed and delivered by Buyer each other agreement to be executed and delivered by it pursuant hereto will be, the valid and binding obligation of Buyer in accordance with its terms. Neither the execution and delivery by Buyer of this Agreement or of any of the aforementioned other agreements, nor the consummation of the transactions contemplated hereby or thereby, nor the compliance by Buyer 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 Certificate of Incorporation or By-laws of Buyer, or in the breach of any material agreement to which Buyer is a party or otherwise bound.

5.3 Securities and Exchange Commission Filings; Financial Statements. Buyer has filed all forms, reports, statements and documents required to be filed with the 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. Buyer has delivered to the Stockholder, in the form filed with the SEC (including any amendments thereto), (A) its Quarterly Report on Form 10-QSB for the quarter ended April 30, 1997 (the "April 30 10-QSB") 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 the Buyer, 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 Buyer 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.

5.4 Capitalization. The authorized capital stock of Buyer consists of 15,000,000 shares of Common Stock and 5,000,317 shares of Preferred stock, par value $.01 per share, of which, as of the date hereof, 7,847,455 shares of Common Stock and 317 shares of preferred stock are issued and outstanding. All issued shares of Buyer's Common Stock have been duly and validly issued and are fully paid and nonassessable. Except as set forth in the SEC Reports or the other documents specifically set forth in Schedule 5.4, there are no outstanding options, warrants, rights, puts, calls, commitments, conversion rights,

plans or other agreements of any character to which Buyer is a party or otherwise bound which provide for the acquisition, disposition or issuance of any issued but not outstanding, outstanding, or authorized and unissued shares of Buyer Common Stock or preferred stock. There is no personal liability, and there are no preemptive or similar rights, attached to Buyer's Common Stock.

5.5 Absence of Changes. Since January 31, 1997, there have not been (i) any material adverse changes in the condition (financial or otherwise), assets, liabilities, business, prospects, or results of operations of Buyer (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (ii) any declarations, setting asides or payments of any dividend or other distribution or payments in respect of the capital stock of Buyer, or (iii) any changes in the accounting principles or methods which are utilized by Buyer.

5.6 Litigation. Except as set forth in the SEC Reports, there are no material suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best of the knowledge of Buyer threatened, against or relating to Buyer. Except as set forth in SEC Reports there are no material judgments, orders, stipulations, injunctions, decrees or awards in effect which relate to Buyer, Buyer's business or any of its assets, the effect of which is (A) to limit, restrict, regulate, enjoin or prohibit any business practice in any area, or the acquisition of any properties, assets or businesses, or (B) otherwise to have a material adverse effect on the condition (financial or otherwise), assets, liabilities, business, prospects or results of operations of Buyer.

5.7 Information as to Buyer. None of the representations or warranties made by Buyer in this Agreement or in any agreement executed and delivered by or on behalf of it 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.

6. Representations and Warranties as to Stock Consideration. Buyer represents and warrants to the Stockholder that the Stock Consideration, when issued, will be, (i) duly authorized and validly issued, fully paid and non-assessable, (ii) delivered hereunder free and clear of any security interests, pledges, mortgages, claims, liens and encumbrances of any kind whatsoever except that the Stock Consideration will be "restricted securities" as such term is defined in the rules and regulations of the Securities Exchange Commission and will be subject to restrictions on transfers pursuant to such rules and regulations and State laws, and (iii) issued in compliance with all applicable federal and state securities laws.

7. Indemnification.

7.1 Indemnification by Sellers and Stockholder. Sellers and Stockholder hereby jointly and severally agree to indemnify and hold Buyer harmless from and against any and all losses, obligations, deficiencies, liabilities, claims, 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 Buyer may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with (i) the Retained Liabilities, (ii) the noncompliance with any applicable bulk transfer laws of any jurisdiction, or (iii) the breach by Sellers or Stockholder of any representation, warranty or covenant made by it in this Agreement or in any agreement or instrument executed and delivered pursuant hereto.

7.2 Indemnification by Buyer. Buyer hereby agrees to indemnify and hold Stockholder and its affiliates, other than Sellers, harmless from and against any and all losses, obligations, deficiencies, liabilities, claims, 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, prosecutor defense of any matter indemnified pursuant hereto), which any 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 (i) the Assumed Liabilities, (ii) the breach by Buyer of any representation, warranty or covenant made by it in this Agreement or in any agreement or instrument executed and delivered pursuant hereto or (iii) Seller's Liabilities.

7.3 Third Party Claims. 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 this paragraph 7, the party or parties seeking such indemnification shall promptly notify the indemnifying party or parties, in writing, of such claim; provided, however, that the failure to give such notice shall not affect the rights of the indemnified party or parties hereunder unless such failure materially and adversely affects the indemnifying party or parties. The indemnifying party or parties shall have ten 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: (i) in the case of Sellers and/or Stockholder as the indemnifying party or parties, it or they shall not thereby

permit to exist any lien, encumbrance or other adverse change upon any of the Purchased Assets, Buyers or the Business, and (ii) the indemnified party or parties shall be 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 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 to contest, settle or compromise the claim at their exclusive discretion, at the risk and expense of the indemnifying parties to the full extent set forth in subparagraph 7.1 or 7.2 hereof, as the case may be.

7.4 Limitations Upon Indemnification. Buyer shall not have any right to indemnification under this paragraph 7 or otherwise to recover damages against Stockholder based upon the breach of a representation or warranty by Sellers or Stockholder unless and until the amount of its claims is in excess of $100,000.00 (the "Retained Indemnification") in the aggregate. The obligation of Stockholder to indemnify or pay damages to Buyer for any breach of representation or warranty shall apply only to the excess of the aggregate amount of all such claims over $100,000.00. Buyer shall not be entitled to assert as a defense, counterclaim or set-off against any portion of the Purchase Price any claim for indemnification or damages, it being the intention of the parties that Buyer's obligation to pay the Purchase Price and perform under the Promissory Notes and the Registration Rights Agreement be absolute and unconditional and that any claim for indemnification or damages should be asserted by Buyer in a separate action.

8. Miscellaneous Provisions.

8.1 Expenses. Except as otherwise provided in this Agreement, Stockholder, on the one hand, shall pay its and Sellers' costs and expenses and Buyer shall pay its own costs and expenses in connection with this Agreement and the transactions contemplated hereby.

8.2 Execution in Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate 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.

8.3 Notices. All notices, requests, demands and other communications given hereunder shall be in writing and shall be deemed to have been duly given: (i) on the date of delivery, if delivered personally or by messenger, (ii) on the first business day following the date of timely deposit with Federal Express or other nationally recognized overnight courier service, if sent by such courier specifying next day delivery, (iii) upon receipt of confirmation of transmission, if transmitted by telecopier; and (iv) on the third business day after mailing, if mailed by registered or certified mail (postage prepaid, return receipt requested); provided, however, that a notice of change of address or telecopier number shall not be deemed to have been given until actually received by the addressee. All such notices, requests, demands and other communications shall be addressed as set forth below or to such other address or telecopier number as either party hereto may designate to the other party hereto by like notice (except that a notice of change of address shall only be effective upon receipt):

If to Buyer, to:
Take Two Interactive Software
575 Broadway
New York, New York 10012

Attn: Ryan A. Brant

Copy to:
Tenzer Greenblatt LLP
23rd Floor
405 Lexington Avenue
New York, New York 10174

Attn: Barry S. Rutcofsky

If to Stockholder, to:
GameTek (FL), Inc.
c/o J. William Blue, Jr., Esq.
The Northern Blue Law Firm
100 Europa Drive
Suite 550
Chapel Hill, North Carolina
27515-2208

Copy to: Ackerman, Levine & Cullen, LLP
175 Great Neck Road
Great Neck, New York 11021

Attn: Leslie Levine, Esq.

If to ART, to: Alternative Reality
Technologies, Inc.
c/o J. William Blue, Jr., Esq.
The Northern Blue Law Firm
100 Europa Drive
Suite 550
Chapel Hill, North Carolina
27515-2208

If to GameTek, to: GameTek (UK) Limited
c/o J. William Blue, Jr., Esq.
The Northern Blue Law Firm
100 Europa Drive
Suite 550
Chapel Hill, North Carolina
27515-2208

8.4 Amendment. This Agreement may only be amended by a written instrument executed by each of the parties hereto.

8.5 Entire Agreement. This Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof, other than the Confidentiality Agreement which shall remain in full force and effect.

8.6 Applicable Law. This Agreement shall be governed by the laws of the State of New York applicable to contracts made and to be wholly performed therein.

8.7 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

8.8 Assignment. Neither this Agreement nor any rights, interests or obligations hereunder may be assigned (by operation of law or otherwise) by any party hereto without the prior written consent of all of the parties hereto.

8.9 Binding Effect; Benefits. This Agreement shall inure to the benefit of, and shall be binding upon, the

parties hereto and their respective heirs, legal representatives, successors and permitted assigns. Nothing herein contained, express or implied, is intended to confer upon any person other than the parties hereto and their respective heirs, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

8.10 Waiver, etc. The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Agreement or any provision hereof or the right of any of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach shall be construed or deemed to be a waiver of any other or subsequent breach.

8.11 Severability. Any provision of this Agreement which is held by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction(s) shall be, as to such jurisdiction(s), ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

8.12 Announcements. No party hereto shall issue any press release or otherwise make any public statement with respect to the existence of this Agreement or the transactions contemplated hereby without the prior approval of the other parties hereto, except as may be required by applicable law or the applicable rules or regulations of any stock exchange (upon reasonable prior written notice to the other party).

8.13 Schedules. The Schedules delivered pursuant to this Agreement are an integral part hereof. Each such Schedule shall be in writing, shall indicate the subparagraph pursuant to which it is being delivered, and shall be initialled by the delivering party.

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

Attest: TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan A. Brant

President

_____
Secretary

Attest: GAMETEK (FL), INC.

By: /s/ Robert L. Underwood

Authorized Signer

_____
Secretary

Attest: GAMETEK (UK), INC.

By: /s/ Kelly Sumner

President

_____
Secretary

Attest: ALTERNATIVE REALITY TECHNOLOGIES, INC.

By: /s/ Robert L. Underwood

Vice President

_____
Secretary

SIGNATURE PAGE TO
ASSET AND STOCK PURCHASE AGREEMENT
AMONG GAMETEK (UK), LIMITED, GAMETEK (FL), INC,
ALTERNATIVE REALITY TECHNOLOGIES, INC. AND
TAKE TWO INTERACTIVE SOFTWARE, INC.

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NEGOTIABLE PROMISSORY NOTE

$500,000 July 29, 1997
New York, New York

FOR VALUE RECEIVED, the undersigned, Take Two Interactive Software, Inc., a Delaware corporation ("Payor"), having its executive office and principal place of business at 575 Broadway, New York, New York 10012, hereby promises to pay to the order of Ocean Bank ("Holder"), having an address at 780 N.W. 42nd Avenue, Miami, Florida 33126, at Holder's address set forth above (or at such other place as Holder may from time to time hereafter direct by notice in writing to Payor), the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000.00)(the "Principal Amount"), together with accrued interest thereon as set forth in section 1.2 below, in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

1. Interest and Payment.

1.1. The Principal Amount is payable in two (2) equal annual installments of $250,000 (each an "Installment Payment") the first of which is due and payable on July 29, 1998 and the second of which is due and payable on July 29, 1999 (the "Final Payment Date").

1.2. The principal unpaid amount of this Note outstanding from time to time shall bear interest at a per annum rate equal to eight percent (8%).

1.3. Interest accrued on the unpaid principal amount of this Note shall be payable quarterly commencing October 31, 1997 and on each January 31, April 30, July 31 and October 31 thereafter until the Final Payment Date, at which time all outstanding amounts due hereunder shall be paid in full. Any amount not paid when due shall bear interest at the lesser of twelve percent (12%) per annum or the maximum rate allowed by law from the original due date until paid.

1.4. In the event that the date for the payment of any amount payable under this Note falls due on a Saturday, Sunday or public holiday under the laws of the State of New York the time for payment of such amount shall be extended to the next succeeding business day and interest shall continue to accrue on any principal amount so affected until the payment thereof on such extended due date.

1.5. This Note may be prepaid at any time, in whole or in part by Payor. All prepayments on this Note shall be applied first to discharge all accrued and unpaid interest due on the

unpaid principal balance hereof and the remainder shall be applied to unpaid installments of principal in inverse order of maturity.

2. Events of Default. If any of the following events (each an "Event of Default") occurs:

2.1. Payor makes an assignment for the benefit of creditors, or files with a court of competent jurisdiction an application for appointment of a receiver or similar official with respect to it or any substantial part of its assets, or Payor files a petition seeking relief under any provision of the Federal Bankruptcy Code or any other federal or state statute now or hereafter in effect affording relief to debtors, or any such application or petition is filed against Payor, which application or petition is not dismissed or withdrawn within ninety (90) days from the date of its filing; or

2.2. Payor fails to make any payment hereunder within ten (10) after Payor receives notice of failure to make any such payment;

then, upon the occurrence of any such Event of Default and at any time thereafter as long as such Event of Default is continuing, the holder of this Note shall have the right (at such holder's option) to declare the principal of, accrued unpaid interest on, and all other amounts payable under this Note to be forthwith due and payable, whereupon all such amounts shall be immediately due and payable to the holder of this Note (the "Acceleration Date").

3. Unconditional Obligation; Fees, Waivers, Other.

3.1. If Holder shall institute a legal action to enforce the collection of any amount of principal of and/or interest on this Note, then in addition to the then unpaid principal of, and accrued unpaid interest on, this Note, Payor shall pay all costs and expenses incurred by Holder in connection therewith,

including, without limitation, reasonable attorneys' fees and disbursements.

3.2. No forbearance, indulgence, delay or failure to exercise any right or remedy with respect to this Note shall operate as a waiver or as an acquiescence in any default, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy.

3.3. This Note may not be modified or discharged (other than by payment) except by a writing duly executed by Payor and Holder.

3.4. The obligation of Payor to pay all amounts owing under this Note is absolute and unconditional and is not and shall not be subject to any offset, deduction, counterclaim, contra, defense (other than a defense of complete and indefeasible payment of the amounts claimed to be owing) or right of recoupment of any kind or nature whatsoever, however denominated or asserted.

4. Miscellaneous.

4.1. The headings of the various paragraphs of this Note are for convenience of reference only and shall in no way modify any of the terms or provisions of this Note.

4.2. All notices, requests, demands and other communications given hereunder shall be in writing and shall be deemed to have been duly given: (a) on the date of delivery, if delivered personally or by messenger, (b) on the first business day following the date of timely deposit with Federal Express or other nationally recognized overnight courier service, if sent by such courier specifying next day delivery, (c) upon receipt of confirmation of transmission, if transmitted by telecopier; and (d) on the third business day after mailing, if mailed by registered or certified mail (postage prepaid, return receipt requested); provided, however, that a notice of change of address or telecopier number shall not be deemed to have been given until actually received by the addressee. All such notices, requests, demands and other communications shall be addressed to the indicated party at the address set forth in the preamble or to such other address or telecopier number as either party hereto may designate to the other party hereto by like notice.

4.3. This Note and the obligations of Payor and the rights of Holder shall be governed by and construed in accordance with the substantive laws of the State of New York without giving effect to the choice of laws rules thereof.

4.4. If any provision hereof is invalid or unenforceable, the other provisions hereof shall remain in full force and effect. The provisions of this Note shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the Payor.

4.5. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

4.6. Payor hereby irrevocably waives demand, diligence, presentment for payment and protest, notice of extension, dishonor, maturity and protest and other notices of any kind or nature whatsoever.

IN WITNESS WHEREOF, the undersigned has executed this note as of the date first above written.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Name: Ryan Brant
Title: CEO

NEGOTIABLE PROMISSORY NOTE

$200,000 July 29, 1997
New York, New York

FOR VALUE RECEIVED, the undersigned, Take Two Interactive Software, Inc., a Delaware corporation ("Payor"), having its executive office and principal place of business at 575 Broadway, New York, New York 10012, hereby promises to pay to the order of GameTek (FL), Inc. ("Holder"), a Florida corporation having an address at 4411 Chapel Hill Boulevard, Durham, North Carolina 27717, at Holder's address set forth above (or at such other place as Holder may from time to time hereafter direct by notice in writing to Payor), the principal sum of TWO HUNDRED THOUSAND DOLLARS ($200,000.00) (the "Principal Amount"), together with accrued interest thereon as set forth in section 1.2 below, in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

1. Interest and Payment.

1.1. The Principal Amount is payable in full on September 15, 1997, together with interest accrued through the date of payment.

1.2. Interest accrued on the unpaid principal amount of this Note shall be payable together with the outstanding principal on September 15, 1997, at which time all outstanding amounts due hereunder shall be paid in full. Any amount not paid when due shall bear interest at the lesser of twelve percent (12%) per annum or the maximum rate allowed by law from the original due date until paid.

1.3. In the event that the date for the payment of any amount payable under this Note falls due on a Saturday, Sunday or public holiday under the laws of the State of New York the time for payment of such amount shall be extended to the next succeeding business day and interest shall continue to accrue on any principal amount so affected until the payment thereof on such extended due date.

1.4. This Note may be prepaid at any time, in whole or in part by Payor. All prepayments on this Note shall be applied first to discharge all accrued and unpaid interest due on the unpaid principal balance hereof and the remainder shall be applied to unpaid installments of principal in inverse order of maturity.

2. Events of Default. If any of the following events (each an "Event of Default") occurs:

2.1. Payor makes an assignment for the benefit of creditors, or files with a court of competent jurisdiction an application for appointment of a receiver or similar official with respect to it or any substantial part of its assets, or Payor files a petition seeking relief under any provision of the Federal Bankruptcy Code or any other federal or state statute now or hereafter in effect affording relief to debtors, or any such application or petition is filed against Payor, which application or petition is not dismissed or withdrawn within ninety (90) days from the date of its filing; or

2.2. Payor fails to make any payment hereunder within ten (10) after Payor receives notice of failure to make any such payment;

then, upon the occurrence of any such Event of Default and at any time thereafter as long as such Event of Default is continuing, the holder of this Note shall have the right (at such holder's option) to declare the principal of, accrued unpaid interest on, and all other amounts payable under this Note to be forthwith due and payable, whereupon all such amounts shall be immediately due and payable to the holder of this Note (the "Acceleration Date").

3. Unconditional Obligation; Fees, Waivers, Other.

3.1. If Holder shall institute a legal action to enforce the collection of any amount of principal of and/or interest on this Note, then in addition to the then unpaid principal of, and accrued unpaid interest on, this Note, Payor shall pay all costs and expenses incurred by Holder in connection therewith, including, without limitation, reasonable attorneys' fees and disbursements.

3.2. No forbearance, indulgence, delay or failure to exercise any right or remedy with respect to this Note shall operate as a waiver or as an acquiescence in any default, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy.

3.3. This Note may not be modified or discharged (other than by payment) except by a writing duly executed by Payor and Holder.

3.4. The obligation of Payor to pay all amounts owing under this Note is absolute and unconditional and is not and shall not be subject to any offset, deduction, counterclaim, contra, defense (other than a defense of complete and indefeasible payment of the amounts claimed to be owing) or right of recoupment of any kind or nature whatsoever, however denominated or asserted.

4. Miscellaneous.

4.1. The headings of the various paragraphs of this Note are for convenience of reference only and shall in no way modify any of the terms or provisions of this Note.

4.2. All notices, requests, demands and other communications given hereunder shall be in writing and shall be deemed to have been duly given: (a) on the date of delivery, if delivered personally or by messenger, (b) on the first business day following the date of timely deposit with Federal Express or other nationally recognized overnight courier service, if sent by such courier specifying next day delivery, (c) upon receipt of confirmation of transmission, if transmitted by telecopier; and (d) on the third business day after mailing, if mailed by registered or certified mail (postage prepaid, return receipt requested); provided, however, that a notice of change of address or telecopier number shall not be deemed to have been given until actually received by the addressee. All such notices, requests, demands and other communications shall be addressed to the indicated party at the address set forth in the preamble or to such other address or telecopier number as either party hereto may designate to the other party hereto by like notice.

4.3. This Note and the obligations of Payor and the rights of Holder shall be governed by and construed in accordance with the substantive laws of the State of New York without giving effect to the choice of laws rules thereof.

4.4. If any provision hereof is invalid or unenforceable, the other provisions hereof shall remain in full force and effect. The provisions of this Note shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the Payor.

4.5. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

4.6. Payor hereby irrevocably waives demand, diligence, presentment for payment and protest, notice of extension, dishonor, maturity and protest and other notices of any kind or nature whatsoever.

IN WITNESS WHEREOF, the undersigned has executed this note as of the date first above written.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Name: Ryan Brant
Title: CEO

EMPLOYMENT AGREEMENT

AGREEMENT made as of the 29th July 1997 ("the Effective Date") BETWEEN

(1) GAME-TEK UK LIMITED whose registered office is situate at

("the Employer") and

(2) KELLY GALVIN SUMNER residing at "Chimneys" 27 Oatlands Close

Weybridge Surrey KT13 9EE ("the Employee").

W I T N E S S E T H:

WHEREAS the Employer desires to confirm the employment of the Employee as an executive officer of the Employer which commenced on the 29th July 1997, and to that end the Employer and the Employee desire to enter into this Agreement. However, the date of the commencement of the Employee's period of continuous employment is the 16th April 1993. This is because previous employment with the Employer from the 16th April 1993 to the date hereof counts as part of the Employee's period of continuous employment with the Employer.

NOW THEREFORE in consideration of the premises and of the mutual promises and covenants contained herein, the Employer and the Employee hereby agree as follows:

1. Duties. Commencing on the 29th July 1997 Employer hereby employs the Employee as the President/Managing Director of the Employer to perform such executive duties as are consistent with the office of President/Managing Director and in such other senior executive capacity as the Employer may from time to time reasonably require including service as an executive officer and/or director of one or more of any associated company of the Employer which is for the time being a subsidiary or a holding company of the Employer or a subsidiary (other than the Employer) of the holding company of the Employer. "Subsidiary" and "holding company" in this context having the same meanings as in Section 736 of the Companies

Act 1985 (as amended). The Employer agrees that during the term of this Agreement the Employee's title shall not be changed to any lesser title nor shall his duties and responsibilities be materially diminished without his consent nor shall he be required to live and work outside England except with his consent and except for travelling on business in the proper performance of his duties hereunder. The Employee covenants and agrees to devote, during normal business hours, substantially his entire time, professional efforts and skills collectively to the performance of such duties except insofar as the same are require for the performance of the Consultancy Agreement between Game-Tek Inc. and the Employee dated 24th July 1997 PROVIDED HOWEVER that the Employee shall be permitted to make passive investments in companies or other entities whose business activities are unrelated to and not competitive with the business of the Employer or any associated company as hereinbefore defined so long as such investments do not require any of his business time.

2. Compensation/Salary and Benefits. In consideration of his services during the Term (as hereinafter defined) the Employee shall be paid compensation/salary and benefits by the Employer as follows:-

(a) Salary. For all services to be rendered by the Employee to the Employer or any associated companies herein defined including services as an officer and director of the Employer, if asked to serve in such capacities, the Employer agrees to pay to the Employee an annual salary ("the Salary") at the rate of One Hundred Thousand British Pounds Sterling ((pound)100,000) during each year of the Term or part thereof. The Salary shall be reviewed annually and may, but need not be, increased in the sole discretion of the Board of Directors. The Salary shall be paid in fortnightly installments.

(b) Bonus. The Employer agrees to pay to the Employee an annual bonus ("the Bonus") in respect of each fiscal year of the Employer during the Term in an amount equal to seven and a half per cent (7.5%) of the Net Pre-Tax Profits (as hereinafter defined) of the Employer for each such year or part thereof on a pro rata basis equal to the number of days during each such fiscal year during which the Employee shall be employed by the Employer hereunder if the Employee is employed for less than the entire fiscal year.

For the purposes of this Agreement "Net Pre-Tax Profits" shall be the net pre-tax profits of the Employer as determined by independent auditors retained by the Employer who shall make such determination in accordance with generally accepted accounting principles (in England and Wales) consistently applied to the Employer from the date of this Agreement and who shall in making such determination of net pre-tax profits for the purposes of this Agreement:-

(i) deduct from the relevant amount of net profit any gains on sales of assets (other than in the ordinary course of business);

(ii) add back to net profit any amount paid by the Employer or any associated company as the case may be during such period as a bonus to the Employee or any other of their employees in respect of the prior year's net pre-tax profit.

The Employee's Bonus shall be paid to him at the same time as other executive employees of the Employer receive their respective bonuses and as soon as practicable following the close of the Employer's fiscal year but in any event no later than three months thereafter.

3. Sickness Subject to the Employee producing medical certificates satisfactory to the Employer, Salary shall not cease to be payable by reason only of the

Employee's incapacity for work due to sickness or accident during a period not exceeding One Hundred and Twenty (120) consecutive working days in aggregate in any twelve consecutive months (after which period Salary shall be paid only in the absolute discretion of the Employer) but any such Salary shall include any sums which the Employer is obliged to pay to the Employee by way of statutory sick pay. The Employer may reduce the Salary during the Employee's incapacity by an amount equal to the benefit (excluding any lump sum benefit) which the Employee would be entitled to claim during such incapacity under the Social Securities Acts (whether or not such benefit is claimed by the Employee).

4. Pension There is not in force a Contracting Out Certificate under the Pension Schemes Act 1993.

5. Reimbursement of Expenses: Benefits The Employee shall be reimbursed by the Employer for all reasonable business expenses incurred by him in connection with the discharge by the Employee of his duties hereunder, upon presentation of such documentation substantiating the incurring of such expenses as may be reasonably required by, and in accordance with expense reimbursement policies established by the Employer. The Employee shall be entitled to participate in all employee benefit programmes made available by the Employer to all of its executive officers. In addition, the Employer will meet the cost of a lease car for the Employee up to Five Hundred British Pounds Sterling ((pound)500) per month plus all the expenses of running the same including fuel, vehicle taxation, insurance, repairs and maintenance and will provide for the Employee at the Employer's expense death in service benefit up to an agreed amount and medical insurance cover up to an agreed amount, and the employee shall be entitled to four weeks paid vacation days in each year of the Term, plus one additional paid vacation day for each full year of service to the Company not to exceed five (5)

weeks paid vacation in any year, the amount of such vacation to be pro rated in any year of the Term during which the Employee is employed hereunder for less than the entire year. Unused vacation days may not be carried forward to future periods of the Term and will not be compensated.

6. Term: Termination by Either Party This Agreement shall commence as of 29th July 1997 and PROVIDED THAT three months notice in writing in advance shall have been served by either the Employer or the Employee on the other to terminate this Agreement at 28th July 2000, failing which this Agreement shall continue until terminated by either party in the case of the Employer on six (6) months notice in writing and in the case of the Employee on three months notice in writing unless earlier terminated as provided in Section 7 hereof "the Term").

7. Termination of Employment

(a) The Employee's employment hereunder shall terminate upon his death.

(b) The Employer may terminate the Employee's employment hereunder in the event the Employee shall have been unable for one hundred and twenty (120) or more consecutive working days due to illness, accident other physical or mental incapacity to perform his duties hereunder.

(c) The Employer may terminate the Employee's employment hereunder for cause which shall mean:

(i) the Employee having been convicted of any criminal or civil acts prejudicial to the Employer whether or not committed in the course of his employment;

(ii) wilful misconduct by the Employee in the discharge of his duties hereunder involving the misuse or misappropriation of the Employer's funds or property;

(iii) the wilful neglect, failure or refusal of the Employee substantially to perform the services lawfully required to be performed by him hereunder (not including any failure resulting from illness, accident or other physical or mental incapacity);

(iv) conduct constituting a violation of the law relating to harassment or discrimination against any person or,

(v) any other breach by the Employee of a material term of this Agreement if the Employee fails to remedy such breach within fifteen (15) days following the Employee's receipt of written notice and demand to cure such breach.

(d) The Employee may terminate this Agreement on thirty (30) days written notice if the Employer fails, after written notice and demand to cure any breach of or to perform within thirty (30) days of such notice and demand, any material obligation of the Employer hereunder.

8. Effect of Termination

(a) Except as otherwise expressly set forth in this Section 8 and notwithstanding any provision of this Agreement to the contrary:

(i) the Employee's right to receive the Salary provided for in Section 2 shall cease prospectively upon the effective date of any termination of his employment hereunder ("the Termination Date") except as otherwise herein provided;

(ii) the Employee shall be paid any unpaid Bonus up to the Termination Date and,

(iii) any share options which remain unexercised at the Termination Date shall expire.

(b) Upon the termination of the Employee's employment hereunder pursuant to Section 7(a) the Employee's estate shall be entitled to receive and the Employer shall pay to such estate, an amount equal to the full Salary provided for in Section 2(a) for a period of three months from the Termination Date plus the amount of the Bonus that otherwise would have been payable with respect to the fiscal year in which the Employee's employment is terminated ("the Termination Year") multiplied (in the case of the Bonus) by a fraction the numerator of which is the number of days in the Termination Year to and including the Termination Date and the denominator of which is three hundred and sixty-five (365) plus all other benefits to be provided hereunder. In addition, all share options shall be exercisable by the Employee's estate in accordance with the terms of any Incentive Stock Option Scheme.

(c) Upon the termination of the Employee's employment hereunder without cause pursuant to Section 7(b):

(i) the Employee shall be entitled to receive and the Employer shall pay to the Employee an amount equal to his Salary for a period of six months from the Termination Date plus the amount of the Bonus that otherwise would have been payable with respect to the fiscal year of the Employer in which the Termination Date falls, multiplied by a fraction the numerator of which is the sum of days in such year to and including the Termination Date the denominator of which is thee hundred and sixty-five (365), less in the case of a termination by reason of the Employee's disability,

any amounts received by the Employee in respect of disability insurance maintained by the Employer and,

(ii) any share options available for exercise by the Employee at the Termination Date under any Incentive Stock Option Scheme shall be exercisable by him within a period of six (6) months from the Termination Date.

(d) Upon termination of the Employee's employment hereunder pursuant to Section 7(c) the Employee shall only be entitled to receive his Salary accrued up to the Termination Date. Any rights the Employee might otherwise have had with respect to any unpaid Bonus shall bc forfeit and all unexercised Share Options shall expire.

(e) Upon termination of the Employee's employment hereunder pursuant to Section 7(d) the Employee may recover any damages occasioned by the Employer's conduct as may be permitted by law but in any event shall receive his Salary until the end of the Term gross of tax so far as permitted by law plus the Bonus which he would otherwise have received until the end of the Term plus the right to exercise all unexercised Share Options plus compensation for the loss of any other benefits to which the Employee is entitled under this Agreement

9. Change of Control Upon the happening of any Change of Control in the constitution of the Employer which shall bring about a termination of this Agreement the Employee shall be entitled to receive a bonus in addition to any other amounts owing to him hereunder or any other rights and benefits hereunder or at law in an amount equal to six (6) month's salary gross of tax insofar as the law permits payable within thirty (30) days following the event bringing about the Change of Control.

10. Covenant Relating to Employment and Not to Compete

(a) The Employee acknowledges that his services are of a particular significance to the Employer that his position with the Employer will give him a close knowledge of its policies and trade secrets and that the Employer is in a creative and competitive business. Accordingly, the Employee hereby covenants that from and after the date hereof until six (6) months after the end of the stated Term or six (6) months from earlier termination whichever shall apply, unless this Agreement shall be terminated by the Employee pursuant to Section 7(d), the Employee shall not be except as provided in this Agreement, directly or indirectly, alone or as a partner, officer, director, consultant, lender, agent or representative of any other entity engage anywhere in England and Wales in any business competitive with the business of the Employer. In the event of any termination or expiration of this Agreement, except in the event of termination by the Employee as aforesaid, the Employee covenants, represents and agrees that for a period of six (6) months after such termination or expiration:

(i) he shall not, directly or indirectly, either for the Employee's own benefit or for the benefit of any other person, firm or corporation whatsoever, solicit or divert the services of any persons employed by the Employer or any of its subsidiaries or affiliates at any time within six (6) months of such termination or expiration and

(ii) he shall not, directly or indirectly, either for the Employee's own benefit or for the benefit of any other person, firm or corporation whatsoever, do any act or thing to cause or induce any interference with or interruption of any of the relationships of the Employer or any of its subsidiaries or affiliates with any of their licensors, licensees, customers, suppliers, employees and/or consultants then existing or with which such relationship existed at any time within six (6) months of such termination or expiration.

Notwithstanding the foregoing, such covenant not to compete shall be of no further force or effect if the Employee's employment hereunder is terminated by reason of the Employer's filing for bankruptcy, making an assignment for the benefit of creditors, seeking liquidation, dissolution, re-organisation or other similar relief or having such relief sought against it and ceasing operations and being liquidated as a result thereof. The provisions of this Section 10 and of Section 11 shall survive any termination or expiration of this Agreement.

11. Disclosure: Return of Employer Data Except as the Employer may otherwise permit or direct in writing or as may be necessary or appropriate to carry out his duties hereunder, the Employee will not disclose, during the Term or thereafter, any confidential information, knowledge or data (other than information, knowledge or data which is or becomes publicly known or part of the public domain (other than as a result of the Employee's breach of any legal or contractual duty of confidentiality owed to the Employer or which is acquired by the Employee from or disclosed to the Employee by a third party not in breach of any legal or contractual duty owed to the Employer concerning the Employer or any of its subsidiaries or affiliates which the Employee may obtain during his employment) except to the extent that such disclosure is required by law or to comply with legal process duly served. At the request of the Employer during the Term or thereafter the Employee will immediately return to the Employer any books, contracts, records, documents, products and other data of the Employer in the Employee's possession including all copies thereof or extracts therefrom.

12. Notices Any notice under this Agreement may be given personally to the Employee or to the secretary of the Employer (as the case may be) or may be posted to the Employer (for the attention of its secretary) to its registered office for the time being or to the Employee either to the address given above or to his last known address. Any such notice sent

by post shall be deemed to be served forty-eight hours after it is posted and in proving such service it shall be sufficient to prove that the notice was properly addressed and put in the post. Any addressee may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 10 for giving notice.

13. Disciplinary and Grievance Procedure

(a) There are no disciplinary rules in force in relation to the Employee who is expected at all times to conduct himself in a manner consistent with his senior status.

(b) If the Employee has a grievance relating to his employment he should first apply to the Chief Executive/President of Take Two Interactive Software Inc. If the matter is not then settled the Employee should write to the Board of Take Two Interactive Software Inc. setting ut full details of the matters. The decision of the Board shall be final. For this purpose "the Board" means the Board of Directors from time to time of Take Two Interactive Software Inc. or any duly authorized committee or member of such Board.

14. Successors and Assigns Neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to charge by either party without the prior written consent of the other having first been obtained. Any attempted or purported assignment without such required consent shall be void and a material breach of this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

15. Waiver and Amendments No waiver of any of the provisions hereof shall be effective unless in writing and signed by the part to be charged with such waiver. No waiver shall be deemed a continuing waiver or a waiver in respect of any subsequent or other breach

or default, unless expressly so stated in writing. This Agreement shall not be modified or amended except by a further written document signed by the Employee and the Employer.

16. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, negotiations, representation and understanding, written or oral, among the parties hereto. No termination of this Agreement or any part hereof shall be valid unless in writing and signed by the parties hereof.

17. Governing Law. This Agreement shall be governed by and construed in accordance with English law and each of the parties hereby submits to the exclusive jurisdiction of the English courts to settle any disputes which may arise out of or in connection with this Agreement.

18. Headings. The headings of the sections in this Agreement are inserted for convenience only and shall not control or affect the meaning or constructions of any of the provisions of this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement as of the day and year first above written.

/s/ Ryan Brant
- --
Chairman
for and on behalf of Game-Tek UK Limited

/s/ Kelly G. Sumner
- -------------------
Kelly Galvin Sumner

DISTRIBUTION AGREEMENT

THIS AGREEMENT is made as of July 29, 1997, between Take Two Interactive Software, Inc., a Delaware corporation with offices at 575 Broadway, New York, New York 10012 (collectively, "Distributor") and GameTek, Inc., a Delaware Corporation with offices at 3 Harbor Drive, Suite 110, Sausalito, California 94965 ("GameTek").

W I T N E S S E T H :

WHEREAS, GameTek owns or controls the rights in and to the Game Titles (defined below), and desires to enter into this agreement providing for Distributor's distribution of Software Devices (defined below) embodying the Game Titles;

WHEREAS, Distributor is engaged in the business of distributing, marketing, selling, advertising and otherwise exploiting Software Devices and desires to distribute the Software Devices embodying the Game Titles on the terms provided herein;

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS:

Capitalized terms used herein, but not otherwise defined herein, shall have the meanings set forth below:

1.1 "Basic Term" means the period commencing on the date on which such party hereto has executed and delivered to the other party hereto a copy of this Agreement, and ending on the third (3rd) anniversary of the release of the first Game Title authorized to be released hereunder but not later than four (4) years from the date hereof; provided, however, that the Basic Term shall terminate sooner as to any particular Game Title on the date on which GameTek's rights with respect to such Game Title terminate, if they terminate prior to such third anniversary date.

1.2 "Bug" means a repeatable phenomenon of unintended events or actions during the running of a Software Device under normal conditions that results in:

(a) the software component of such Software Device being unable to perform repeatedly and without interruption in the manner in which such Software Device is commonly intended to be used; or

(b) the destruction or corruption of the data embodied in such Software Device.

1.3 "Distributed Product" or "Distributed Products" means Software Devices embodying a Game Title and playable on the Game Machine.

1.4 "Documentation" means the technical documentation for each Game.

1.5 "Exploitation Period" with respect to any Game Title means the date commencing on the Effective Date and ending on the expiration of the Basic Term with respect to such Game Title.

1.6 "Game Machine" means the Nintendo Gameboy portable console game system.

1.7 "Game Title" or "Game Titles" means, individually or collectively, as the context requires, the Gameboy software games developed by or on behalf of GameTek that are set forth on Schedule "A".

1.8 "Manual" means a document that describes in reasonable detail in the English language (and any other languages in which such documents exist) the operation and functions of the computer software and contains instructions for using the Distributed Products.

1.9 "SKU" or "sku" means stock keeping unit.

1.10 "Software Device" means any device on or by which computer software and its associated visual images, with or without sound, may be embodied or recorded for later operation, manipulation or communication to users and which are designed for use with the Game Machine.

1.11 "Territory" means such countries in the European Economic Community as

constituted on the date hereof in which GameTek has the right to market and sell Distributed Products.

1.12 "Third Party Royalties" means, with respect to any unit of any Game Title distributed hereunder, the aggregate of all royalties payable by GameTek to third parties in respect of the sale or other disposition of such unit.

2. RIGHTS AND OBLIGATIONS OF Distributor:

Subject to the terms and conditions hereof, GameTek hereby grants to Distributor, and Distributor hereby accepts and agrees to perform and discharge, the following rights and obligations, which shall be deemed exclusive within the Territory during the Basic Term:

2.1 Distribution Rights and Obligations.

(a) GameTek hereby engages Distributor, and Distributor hereby agrees to be engaged by GameTek, as GameTek's sole and exclusive seller and distributor of Distributed Products throughout the Territory during the Exploitation Period. During the Exploitation Period for each Game Title, Distributor shall distribute such Distributed Products through all usual and customary wholesale channels, and Distributor shall order and maintain inventories of appropriate quantities of Distributed Products with respect to each Game Title as shall be reasonably necessary to meet anticipated demand.

(b) Distributor shall have the right to use, publish and permit others to use and publish GameTek's name, and, subject to any contractual restrictions of which GameTek advises Distributor prior to such use or publication, any names of or trademarks associated with, or embodied in, any Game Title or reproduction or simulation thereof, the script, speech, images, characters, characterizations, designs, graphics, art work and other characteristics associated with each Game Title, and the name of each Game Title (collectively, the "Marks"), in connection with the sale, advertising, distribution and exploitation thereof. Prior to commencing distribution of any Distributed Products in any country in the Territory, Distributor shall verify the existence of GameTek's rights to distribute such products in such country, the obligations and conditions to which such rights are subject, and the extent, if any, of Third Party Royalties payable in respect of such distribution. Distributor shall comply with the provisions of the agreements with such third parties to the extent Distributor is apprised of such provisions by GameTek, insofar as they relate to Distributor's distribution of Distributed Products hereunder.

(c) Distributor shall have the right, solely for advertising, publicity and promotional purposes, to perform and display the Distributed Products publicly, and to permit the public performance thereof, but only in a manner consistent with ordinary custom and practice in the industry for the promotion of products similar to the Game Titles.

(d) Distributor shall have the right to use all artwork, textual material and other materials furnished to Distributor by GameTek in connection with the Distributed Products, including advertising, packaging and wrapping materials (collectively, "Packaging and Promotional Materials"), to the extent created by or on behalf of GameTek in connection with Distributed Products.

(e) All rights in and to the Game Titles, Packaging and Promotional Materials and/or Marks not expressly granted to Distributor herein are reserved to GameTek.

2.2 Intellectual Property Rights.

(a) As between GameTek and Distributor, GameTek retains all copyright, patent, trade secret, trade mark and trade name rights in and to the distributed products, including all packaging, designs, logos, slogans, advertising materials and promotional materials and in all other materials delivered by GameTek to Distributor (collectively, "GameTek Property"), and Distributor will not have or acquire any right, title or interest therein or thereto under any circumstance whatsoever except for the specific rights granted herein. Distributor shall not, during the Basic Term or at any time thereafter, take any action that materially adversely affects, GameTek's ownership of or rights in the GameTek Property or the validity thereof, nor shall Distributor apply for any registration or file any document or take any action that would adversely affect GameTek's ownership of or rights in the GameTek Property or knowingly aid or abet anyone else in doing so, or use or authorize the use of any trademark, trade name or word, symbol or combination thereof or other designation identical with or confusingly similar to the trademarks and/or trade names that constitute part of the GameTek Property. Distributor will not alter, remove, obscure, erase or deface any proprietary rights notices contained on or incorporated in any SKU or the packaging of any SKU. If Distributor is called upon or required to produce any packaging, advertising and promotional materials for a Game Title, Distributor will include thereon such proprietary rights notices as may be designated and approved by GameTek.

(b) Promptly upon request, Distributor will provide GameTek with a template for Distributor's logo and legend for inclusion on any packaging, advertising or promotional materials produced in connection with any Game Title, which template shall be reasonably acceptable to GameTek. GameTek will include Distributor's logo and legend, as incorporated in any such approved template, on all such packaging materials with respect to Game Titles.

3. MANUFACTURING; PRICING.

3.1 GameTek represents that, prior to the delivery of any Game Title hereunder, it shall have designed and have the sole rights to, or obtained from third parties all rights to the design of, the computer software and all documentation relating to such Game Title, to the extent necessary for same to be manufactured into Distributed Products and distributed by Distributor pursuant to this Agreement, and operated and perceived through the Game Machines and otherwise used by end-users.

3.2 Distributor shall notify GameTek from time to time reasonably in advance of any required delivery date of the number of units that Distributor wishes GameTek to have manufactured in order to enable Distributor to fulfill its distribution requirements for each Game Title. Each such notification shall be accompanied by (i) a wire transfer of funds sufficient, either to an account designated by GameTek or directly to Nintendo of Japan, Inc. ("Nintendo"), to enable GameTek to pay for the manufacture and shipment into the destination country of the Distributed Products so ordered and to insure such Distributed Products through delivery to Distributor, or, if requested by GameTek, (ii) the provision of an irrevocable documentary letter of credit in favor of GameTek in form satisfactory to GameTek, for the full amount of the manufacturing and shipping cost of the goods ordered as well as the cost of insuring such goods in transit. The aggregate of such manufacturing, shipping and insurance costs is referred to herein as "GameTek's Cost". Promptly after its receipt of such order and funds or letter of credit, GameTek shall arrange with Nintendo for the manufacture and shipment of such Distributed Products, including the posting of requisite letters of credit in favor of the manufacturer, and for the appropriate insurance thereon. The balance, if any, of GameTek's Cost, shall be payable by Distributor to GameTek ten (10) days after receipt of such unit by the Distributor. GameTek will cooperate, at Distributor's cost and expense, with Distributor's efforts to establish an agreement with Nintendo for Distributor's direct payment to Nintendo of GameTek's Cost. If such an agreement is reached it may include provision for direct shipment by Nintendo of Distributed Products to Distributor provided that Nintendo simultaneously furnishes GameTek with a duplicate of all invoices, packing and shipping documentation relating to such shipment.

3.4. The purchase price payable to GameTek by Distributor for each unit of Distributed Product shall be GameTek's Cost plus (i) the amount of any applicable Third Party Royalty and (ii) $0.15 (such Third Party Royalty and $0.15 per unit being referred to as the "GameTek Share"). GameTek's Share shall be payable by Distributor to GameTek ten (10) days after receipt of such unit by the Distributor. Transportation from GameTek's warehouse in the destination country to Distributor or its customers shall be arranged and paid for by Distributor. GameTek will cooperate, at Distributor's cost and expense, with Distributor's efforts to establish agreement with payees of Third Party Royalties for Distributor's direct payment of such royalties to such payees

3.5 Distributor shall be responsible, at its sole cost and expense, for the marketing, promotion and advertising of each Game Title, including co-operative advertising credits, shelf or "slot" fees and any similar discounts, credits or payments, provided that the amount to be spent thereon and the manner in which such expenditures shall be made shall be determined exclusively by Distributor in the exercise of its reasonable business judgment.

3.6 To the extent that Distributor has paid the GameTek Share in respect of any game that is subsequently physically returned by the customer to Distributor, Distributor shall have the right to recoup the amount of the GameTek Share previously paid by it to GameTek in respect of such unit from the GameTek Share payable in respect of any units sold after such return. Except to the extent specified herein, the GameTek Share paid in respect of any unit sold hereunder shall be non-refundable.

4. PACKAGING, TESTING, ETC.

4.1 GameTek will place the machine, medium and other operating requirements (such as minimum memory capacity) on the front outside of each Distributed Product, and will shrink-wrap all Distributed Product and will incorporate into the design of the packaging all relevant bar code information.

4.2. GameTek shall use its reasonable best efforts to ensure that each Distributed Product shall be free of Bugs. Each party shall immediately notify the other party in writing if it discovers any Bugs or other defects in any Distributed Products.

4.3. All packaging for the Distributed Products shall contain credit to Distributor as distributor, GameTek as publisher and to appropriate third parties. The forms of such credits with respect to Distributor and GameTek shall be substantially in the forms of such credits as appear on units of such products as previously distributed by or for GameTek or as GameTek may otherwise advise Distributor prior to Distributor's order for such product. The credits related to such third parties shall be in such form, substance and scope as to comply with GameTek's contractual obligations relating thereto.

4.4 All title and other ownership rights to each Distributed Product incorporating a Game Title shall vest in Distributor at such time as Distributor shall have paid to GameTek the full purchase price thereof. Distributor shall bear the risk of loss of any such Distributed Product from and after the moment at which such Distributed Product is shipped from the manufacturer's facility.

4.5 Distributor shall use its reasonable best efforts, consistent with standard industry custom and practice, to sell and to distribute the Distributed Products throughout the Territory during the Basic Term, subject to the terms to this Agreement.

5. TERMINATION OF RIGHTS; PAYMENTS.

5.1 All payments owing to GameTek hereunder shall be made by wire transfer of immediately available funds to an account specified by GameTek in a notice given to Distributor at least two (2) business days prior to the due date of such payment. Unless and to the extent expressly provided otherwise in this Agreement, each party hereto shall bear all costs and expenses incurred in connection with the performance of its obligations hereunder, without any right of contribution from the other party hereto.

6. ACCOUNTINGS: RIGHT OF INSPECTION; LATE PAYMENT.

6.1 Distributor shall provide GameTek with an accounting of all sales of Distributed Product and all returns credited under Section 3.6 at least quarterly during the Basic Term and following the end of any sell-off period.

6.2 Distributor shall maintain, throughout the term of this Agreement and for three years thereafter, at its principal executive offices complete and accurate books of account concerning sales of the Distributed Products hereunder. Upon two business days' prior written notice, GameTek, or its agents on its behalf, may examine Distributor's books and records relating to the sale of the Distributed Products in order to verify the accuracy thereof, during Distributor's normal business hours; provided that GameTek may not conduct more than one such audit in any six month period.

6.3 If Distributor fails or refuses to pay any amount owing to GameTek hereunder when due, then Distributor shall reimburse GameTek for any collection expenses it may incur and the amount not timely paid, including any such collection expenses, shall bear interest at a rate per annum equal to 3% over the prime rate announced from time to time by Citibank, N.A., accruing from the first date on which such monies were due and owing.

7. REPRESENTATIONS AND WARRANTIES:

7.1 Distributor hereby warrants and represents that:

(i) This Agreement has been duly authorized, executed and delivered by Distributor; Distributor has the full power and authority to enter into this Agreement and to perform its obligations hereunder and is free to enter into this Agreement; this Agreement constitutes the valid and binding obligation of Distributor, enforceable in accordance with its terms; and the making of this Agreement by Distributor does not violate any agreement, right or obligation existing between Distributor on the one hand, and any other person, firm or corporation, on the other hand;

(ii) No consents of any third parties are required for Distributor to enter into this Agreement; and

(iii) Distributor shall devote substantially the same degree of diligence, effort, resources and care to the performance of its obligations hereunder as it devotes to the distribution of its proprietary products or to the performance of its current contractual obligations to third parties with respect to similar products.

7.2 GameTek hereby represents and warrants that:

(i) This Agreement has been duly authorized, executed and delivered by GameTek; GameTek has the full power and authority to enter into this Agreement and to perform its obligations hereunder and is free to enter into this Agreement; this Agreement constitutes the valid and binding obligation of GameTek, enforceable in accordance with its terms; the making of this Agreement by GameTek does not violate any agreement, right or obligation existing between GameTek on the one hand, and any other person, firm or corporation, on the other hand, nor is any third party consent required for GameTek to enter into this Agreement; and GameTek has not heretofore granted such rights to the Game Titles to any other person, party or company for use in connection with the Distributed Products;

(ii) Neither the computer software, nor the documentation incorporated in any Game Title, nor the Game Title itself distributed by Distributor hereunder, or any part of any character, object, sound or music embodied therein infringes or shall infringe upon any common law or statutory rights of any third party including, without limitation, contractual rights, patents, copyrights, trade secrets, rights of privacy, or other intellectual property rights. The Distributed Products will be free of material defects in materials and workmanship.

7.3 Distributor shall make no warranties or representations of any kind with respect to the Distributed Products to any purchaser end-user thereof, whether express or implied. To the extent permitted by applicable law, GameTek's warranty set forth in the last sentence of Section 7.2(iii) above, is the only warranty, express or implied, that GameTek will make to any third party with respect to the Distributed Products (such warranty to be limited to ninety (90) days from the date of purchase) and all other implied warranties including but not limited to the implied warranties of merchantability and fitness for a particular purpose are hereby disclaimed. Any product recalls shall be GameTek's sole responsibility.

8. INDEMNIFICATION; INSURANCE.

8.1 Distributor shall indemnify GameTek, its subsidiaries, parents and affiliates and their respective officers, directors, employees and agents (the "GameTek Parties") and undertakes to defend the GameTek Parties, and hold the GameTek Parties

harmless from any actions, claims, suits, proceedings, loss, liability, cost, expense (including reasonable attorney's fees) or damage suffered by any of them arising out of or connected in any way with any acts, omissions by Distributor or its agents in the performance of its duties hereunder or any breach by Distributor of its representations, warranties or agreements herein made, including without limitation the reasonable costs of any direct claim by GameTek against Distributor by reason of the foregoing. GameTek shall not settle any such third party claim or proceeding without Distributor's prior written consent, which shall not be unreasonably withheld or delayed. Distributor shall have the right, at its expense, to participate in the defense thereof with counsel of its choice, provided further that GameTek shall have the right at all times, in its sole discretion, to retain or resume control of the conduct thereof. Distributor shall provide GameTek with any assistance that GameTek reasonably requests in connection therewith.

8.2 GameTek shall indemnify Distributor, its subsidiaries, parents and affiliates and their respective officers, directors, employees and agents (the "Distributor Parties") and undertakes to defend the Distributor Parties and hold the Distributor Parties harmless from any actions, claims, suits, proceedings, loss, liability, cost, expense (including reasonable attorney's fees) or damage suffered by any of them arising out of or connected in any way with any acts, omissions by GameTek or its agents in the performance of its duties hereunder or breach by GameTek of its representations, warranties and agreements herein made, including without limitation the reasonable costs of any direct claim by Distributor against GameTek by reason of the foregoing. Distributor shall promptly notify GameTek of any such third party claim or proceeding and shall not settle any such claim without GameTek's prior written consent, which shall not be unreasonably withheld or delayed. GameTek shall have the right, at GameTek's expense, to participate in the defense thereof with counsel of GameTek's choice, provided that Distributor shall have the right at all times, in Distributor's sole discretion, to retain or resume control of the conduct thereof. GameTek shall provide Distributor with any assistance that Distributor reasonably requests in connection therewith.

8.3 (a) Distributor shall obtain and maintain at its own expense, product liability and errors and omissions insurance from a recognized and qualified insurance company naming GameTek as insured in the amount of at least $1 million per occurrence and $3 million in the aggregate against any claims, suits, loss or damage arising out of any personal injury or property damage arising out of the Distributed Products. Such policy shall not be subject to cancellation or material amendment except after thirty (30) days prior written notice to GameTek. GameTek will be named as an additional insured on such policy. As proof of such insurance, a fully paid certificate of insurance will be submitted to GameTek by Distributor on or before the execution of this Agreement.

(b) GameTek shall obtain and maintain at its own expense, product liability and errors and omissions insurance from a recognized and qualified insurance company naming Distributor as insured in the amount of at least $1 million per occurrence and $3 million in the aggregate against any claims, suits, loss or damage arising out of any personal injury or property damage. Such policy shall not be subject to cancellation or material amendment except after thirty (30) days prior written notice to Distributor. Distributor will be named as an additional insured on such policy. As proof of such insurance, a fully paid certificate of insurance will be submitted to Distributor by GameTek on or before the execution of this Agreement.

9. EXPIRATION OR TERMINATION OF AGREEMENT:

9.1 In the event that GameTek materially breaches this Agreement with respect to a Game Title hereunder and such breach is not cured within thirty (30) days after receipt of notice from Distributor of such breach, then, without in any way limiting any of Distributor's other rights and remedies in such event, and notwithstanding any provision to the contrary contained herein, Distributor shall have the right at its sole election to terminate this Agreement with respect to the affected Game Title to which GameTek's material breach relates, upon written notice to GameTek.

9.2 In the event Distributor fails to render any accounting or pay any monies owing to GameTek hereunder within ten (10) days of the date on which due (subject to reasonable events of force majeure), or if Distributor otherwise materially breaches this Agreement with respect to a Game Title hereunder and such breach is not cured within sixty (60) days after receipt of notice from GameTek of such breach, then without in any way limiting any of GameTek's other rights and remedies in such event, and notwithstanding any provision to the contrary contained herein, GameTek shall have the right at its sole election to terminate this Agreement.

9.3 If either party to this Agreement files a petition in bankruptcy or is adjudged a bankrupt, or if a petition in bankruptcy is filed against such party and is not dismissed with prejudice within ninety (90) days (the "bankrupt or insolvent party"), the other party shall have the right to terminate this Agreement, upon written notice to the bankrupt or insolvent party.

9.4 Upon any expiration or termination of this Agreement, all rights granted to Distributor herein shall immediately revert to GameTek, with the consequences described below. If the expiration or termination relates to less than all Game Titles covered hereby, then the provisions of this Section 10.4 shall relate only to such affected Game Titles:

(i) Distributor shall continue to satisfy all of its payment obligations then or at any time thereafter becoming due and payable;

(ii) GameTek shall thereafter be free to distribute or authorize others to distribute the affected Game Titles;

(iii) Distributor shall not thereafter advertise, distribute or sell Distributed Products incorporating the affected Game Titles, and will cease all display, advertising and use of related GameTek Property, except that Distributor may, if the termination of this Agreement was not by GameTek as a result of a breach or default by Distributor, sell off existing inventories of such Distributed Products in the Territory on a non-exclusive basis for a period of six (6) months, subject to all the other terms and conditions hereof. If this Agreement is terminated by GameTek by reason of a breach or default by Distributor, the Distributor shall, at GameTek's option, list all such inventory and provide GameTek with evidence thereof satisfactory to GameTek, or ship such inventory (payment to be made by GameTek C.O.D. on receipt of such shipment) at Distributor's expense to a location specified by GameTek. Distributor shall deliver to GameTek a complete and accurate statement indicating the number, description and whereabouts of all units of such Distributed Products in Distributor's inventory as of the date of such expiration of the applicable Exploitation Period; and

(iv) After the expiration of the above referenced sell-off period, Distributor shall return to GameTek all materials furnished to Distributor by GameTek hereunder with respect to the affected Game Titles or, at GameTek's election, give evidence satisfactory to GameTek of their destruction.

9.5 Notwithstanding any contrary provision contained herein but subject to Distributor's exclusive rights with respect to Distributed Products in the Territory during the Basic Term, each of the parties acknowledges and agrees that during the term of this Agreement and thereafter each party shall be free to market, sell, distribute, license or sublicense or otherwise deal in or exploit any software titles, whether for use on personal computers or game console systems, including titles that may be competitive with the Game Titles, without any liability or obligation to the other party by reason thereof.

10. NOTICES:

All notices, statements and/or payments to be given to the parties hereunder shall be addressed to the parties at the addresses set forth on the first page hereof or at such other address as the parties shall designate in writing from time to time. All notices shall be in writing and shall either be served by personal delivery (to

an officer of each company), mail, or facsimile (if confirmed by mail or personal delivery of the hard copy), all charges prepaid. Except as otherwise provided herein, such notices shall be deemed given when personally delivered, all charges prepaid, or on the date five (5) days following the date of mailing, except that notices of change of address shall be effective only after the actual receipt thereof. Copies of all notices to Distributor should be sent to Distributor, Attention: Office of the President, with a copy to Tenzer Greenblatt, LLP, 405 Lexington Avenue, New York, New York 10174-0208, Attention: Barry S. Rutcofsky, Esq. Copies of all notices to GameTek should be sent to GameTek, Attention: Office of the President, and to Ackerman, Levine & Cullen, LLP, 175 Great Neck Road, Great Neck, New York 11021, Attention: Leslie J. Levine, Esq.

11. MISCELLANEOUS:

11.1 Distributor shall have the right, at its election, to assign any of its rights or obligations hereunder, in whole or in part, to any subsidiary, affiliated, or related company, or to any person, firm or corporation owning or acquiring all or substantially all of Distributor's stock or assets, provided that any such assignment by Distributor shall not relieve Distributor of its obligations hereunder, and provided further, that the assignee shall acknowledge to GameTek in writing that such assignment is subject to, and the assignee agrees to be bound by, the terms and conditions of this Agreement.

11.2 The entire understanding between the parties hereto relating to the subject matter hereof is contained herein. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express or implied, between the parties other than as expressly set forth in this Agreement. This Agreement cannot be changed, modified, amended or terminated except by an instrument in writing executed by both Distributor and GameTek. The Schedules annexed hereto constitute a part of this agreement. The headings and captions used herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement. This Agreement shall not be deemed effective, final or binding upon Distributor or GameTek until signed by each of them. Only the final, executed Agreement is admissible as the written agreement between the parties and prior drafts, if any, incorporating revisions or original language may not be used, and shall not be admissible as evidence for any purpose in any litigation that may arise between the parties. This Agreement shall be deemed to have been drafted by all the parties hereto, since all parties were assisted by their counsel in reviewing and agreeing thereto, and no ambiguity shall be resolved against any party by virtue of its participation in the drafting of this Agreement.

11.3 No waiver, modification or cancellation of any term or condition of this Agreement shall be effective unless executed in writing by the party charged therewith. No written waiver shall excuse the performance of any act other than those specifically referred to therein and shall not be deemed or construed to be a waiver of such terms or conditions for the future or any subsequent breach thereof. Except as otherwise provided in this Agreement, all rights and remedies herein or otherwise shall be cumulative and none of them shall be in limitation of any other right or remedy.

11.4 This Agreement does not constitute and shall not be construed as constituting a partnership, joint venture, sublicense or agency relationship between Distributor and GameTek. Neither Distributor nor GameTek shall have any right to obligate or bind the other in any manner whatsoever, and nothing herein contained shall give or is intended to give any rights of any kind to any third persons.

11.5 Any claim, dispute or disagreement between the parties arising out of or relating to this Agreement or the transactions or relationships contemplated hereby shall be resolved by arbitration under the Commercial Arbitration Rules of the American Arbitration Association, as in effect from time to time before a single arbitrator in New York County, New York. The decision of the arbitrator shall be in writing, shall include an award of reasonable attorneys' fees to the prevailing party, and either party may enter judgment thereon in any court of competent jurisdiction. Notwithstanding the foregoing, in the event of any breach or threatened breach by either party of the provisions of this Agreement, the aggrieved party may seek and obtain a temporary restraining order, preliminary injunction or other equitable relief restraining such breach or threatened breach from any court of competent jurisdiction.

11.6 This Agreement shall be governed by the laws of the State of New York applicable to contracts made to be wholly performed in the State of New York (without regard to choice of law). Subject to the provisions of Section 11.5 hereof, any action, suit or proceeding may be brought in any of the courts of the State of New York , in New York County, or any of the federal courts within the Southern District of New York. Each of the parties hereto irrevocably submits to the personal jurisdiction of such courts in connection with any such action, suit or proceeding. In any action, suit or proceeding arising out of or relating to this Agreement or the transactions or relationships contemplated hereby (including any arbitration proceeding) the prevailing party will be entitled to recover court costs and reasonable fees of attorneys, accountants and expert witnesses incurred by such a party in connection with such action. Any process in any action or proceeding commenced in such courts may, among other methods, be served upon GameTek or Distributor, as applicable, by delivering or mailing the same, via registered or certified mail, return receipt requested, addressed to GameTek or Distributor, as applicable, at the addresses set forth in the first page hereof or such other address as the parties, as applicable, may designate pursuant to Section 10 hereof. Any such service by delivery or mail shall be

deemed to have the same force and effect as personal service within the State of New York.

11.7 Except as may otherwise be provided herein, neither party shall be deemed to be in breach of any of its obligations hereunder unless and until it shall have been given specific written notice by certified or registered mail, return receipt requested, of the nature of such breach and it shall have failed to cure such breach within thirty (30) days (five days in the case of a payment default) after receipt of such written notice.

11.8 If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable under the applicable laws or regulations of any jurisdiction, such provision will be deemed amended to conform to such laws or regulations if such amendment can be effected without materially altering the intention of the parties; otherwise it shall be stricken and the remainder of this Agreement shall remain in full force and effect.

11.9 Wherever the approval or consent of a party is required hereunder, such approval or consent shall be in writing and shall not be unreasonably withheld or delayed.

12. CONFIDENTIAL INFORMATION; NON-SOLICITATION

12.1 Each party hereto shall keep in confidence and not disclose to any third party, without the written permission of the other party, the proprietary information of such other party disclosed under or pursuant to this Agreement. This requirement of confidentiality shall not apply to information that is (a) in the public domain through no wrongful act of the receiving party; (b) rightfully received by the receiving party from a third party who is not bound by a restriction of nondisclosure; (c) already in the receiving party's possession without restriction as to disclosure; or (d) required to be disclosed by applicable rules and regulations of government agencies or judicial bodies. This obligation of confidentiality shall survive termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this agreement as of the day and year first above written.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Its: CEO

Date: 7/29/97

GAMETEK, INC.

By: /s/ Robert L. Underwood

Its: Authorized Signer

Date: July 29, 1997

72328

[Signature page to GameTek/Take Two Gameboy Distribution Agreement]

PURSUANT TO RULE 24b-2 PROMULGATED UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED, CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR CERTAIN PROVISIONS OF THIS AGREEMENT. SUCH CONFIDENTIAL INFORMATION HAS BEEN (i) OMITTED FROM THIS VERSION OF THE AGREEMENT, (ii) MARKED WITH ASTERISKS (**) TO INDICATE SUCH DELETIONS AND (iii) FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

DISTRIBUTION AGREEMENT

THIS AGREEMENT is made as of July 29, 1997, between Take Two Interactive Software, Inc., a New York corporation having offices at 575 Broadway, New York, NY 10012 ("Take Two") and GameTek, Inc., a Delaware Corporation with offices at 3 Harbor Drive, Suite 110, Sausalito, California 94965 ("GameTek").

W I T N E S S E T H :

WHEREAS, GameTek owns or controls the rights in and to the Game Titles (defined below), and desires to enter into this agreement providing for Take Two's distribution of Software Devices (defined below) embodying the Game Titles;

WHEREAS, Take Two is engaged in the business of distributing, marketing, selling, advertising and otherwise exploiting Software Devices and desires to distribute the Software Devices embodying the Game Titles on the terms provided herein;

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS:

Capitalized terms used herein, but not otherwise defined herein, shall have the meanings set forth below:

1.1 "Basic Term" means the period commencing on the date on which such party hereto has executed and delivered to the other party hereto a copy of this Agreement, and ending on August 31, 1998; provided, however, that if GameTek is able to obtain from Califon Productions, Inc. or its affiliates ("Califon") an extension of its license for "Wheel of Fortune" and "Jeopardy!", then the Basic Term shall extend through the last day of such extension.

1.2 "Bug" means a repeatable phenomenon of unintended events or actions during the running of a Software Device under normal conditions that results in:

(a) the software component of such Software Device being unable to perform repeatedly and without interruption in the manner in which such Software Device is commonly intended to be used; or

(b) the destruction or corruption of the data embodied in such Software Device.

1.3 "Distributed Product" or "Distributed Products" means Software Devices embodying a Game Title and playable on the Game Machine.

1.4 "Documentation" means the technical documentation for each Game.

1.5 "Exploitation Period" with respect to any Game Title means the date commencing on the date hereof and ending on the expiration of the Basic Term with respect to such Game Title.

1.6 "Game Machine" means the Nintendo N64 console game system.

1.7 "Game Title" or "Game Titles" means, individually or collectively, as the context requires, the computer software games developed by or on behalf of GameTek that are set forth on Schedule "A" .

1.8 "Manual" means a document that describes in reasonable detail in the English language the operation and functions of the computer software and contains instructions for using the Distributed Products.

1.9 "SKU" or "sku" means stock keeping unit.

1.10 "Software Device" means any device on or by which computer software and its associated visual images, with or without sound, may be embodied or recorded for later operation, manipulation or communication to users and which are designed for use with the Game Machine.

1.11 "Territory" means the world.

1.12 "Third Party Royalties" means, with respect to any unit of any Game Title distributed by Take Two hereunder, the aggregate of all royalties payable by GameTek to Califon Productions, Inc., Vanna White, and Alex Trebek or their respective successors or assigns in respect of the sale or other disposition of such unit. Attached as Schedule A hereto is a description of the amount of each such Third Party Royalty.

2. RIGHTS AND OBLIGATIONS OF Take Two:

Subject to the terms and conditions hereof, GameTek hereby grants to Take Two, and Take Two hereby accepts and agrees to perform and discharge, the following rights and obligations, which shall be deemed exclusive within the Territory during the Basic Term:

2.1 Distribution Rights and Obligations.

(a) GameTek hereby engages Take Two, and Take Two hereby agrees to be engaged by GameTek, as GameTek's sole and exclusive seller and distributor of Distributed Products throughout the Territory during the Exploitation Period. During the Exploitation Period for each Game Title, Take Two may distribute such Distributed Products through all available wholesale channels, and Take Two shall order and maintain inventories of appropriate quantities of Distributed Products with respect to each Game Title as shall be reasonably necessary to meet anticipated demand.

(b) Take Two shall have the right to use, publish and permit others to use and publish GameTek's name, and, subject to obtaining the prior approval of the relevant intellectual property licensor (i.e., Califon Productions, Inc., Vanna White and Alex Trebek), any names of or trademarks associated with, or embodied in, any Game Title or reproduction or simulation thereof, the script, speech, images, characters, characterizations, designs, graphics, art work and other characteristics (including the name, voice and likeness of Vanna White and Alex Trebek) associated with each Game Title, and the name of each Game Title (collectively, the "Marks"), in connection with the sale, advertising, distribution and exploitation thereof.

(c) Take Two shall have the right, solely for advertising, publicity and promotional purposes, to perform and display the Distributed Products publicly, and to permit the public performance thereof, but only in a manner consistent with ordinary custom and practice in the industry for the promotion of products similar to the Game Titles.

(d) GameTek shall furnish to Take Two in camera ready form, and Take Two shall have the right to use, all artwork, textual material and other materials prepared by GameTek in connection with the Distributed Products, including advertising, packaging and wrapping materials (collectively, "Packaging and Promotional Materials"), to the extent created by or on behalf of GameTek in connection with Distributed Products.

(e) All rights in and to the Game Titles, Packaging and Promotional Materials and/or Marks not expressly granted to Take Two herein are reserved to GameTek.

2.2 Intellectual Property Rights.

(a) As between GameTek and Take Two, GameTek retains all copyright, patent, trade secret, trade mark and trade name rights in and to the Distributed Products, including all packaging, designs, logos, slogans, advertising materials and promotional materials and in all other materials delivered by GameTek to Take Two (collectively, "GameTek Property"), and Take Two will not have or acquire any right, title or interest therein or thereto under any circumstance whatsoever except for the specific rights granted herein. Take Two shall not, during the Basic Term or at any time thereafter, take any action that attacks, or that otherwise reasonably may be expected to adversely affect or derogate from, GameTek's ownership of or rights in the GameTek Property or the validity thereof, nor shall Take Two apply for any registration or file any document or take any action that would adversely affect GameTek's ownership of or rights in the GameTek Property or aid or abet anyone else in doing so, or use or authorize the use of any trademark, trade name or word, symbol or combination thereof or other designation identical with or confusingly

similar to the trademarks and/or trade names that constitute part of the GameTek Property. Take Two will not alter, remove, obscure, erase or deface any proprietary rights notices contained on or incorporated in any SKU or the packaging of any SKU. If Take Two is called upon or required to produce any packaging, advertising and promotional materials for a Game Title, Take Two will include thereon such proprietary rights notices as may be designated and approved by GameTek.

(b) Promptly upon request, Take Two will provide GameTek with a template for Take Two's logo and legend for inclusion on any packaging, advertising, game manuals or promotional materials produced in connection with any Game Title, which template shall be reasonably acceptable to GameTek. GameTek will include Take Two's logo and legend, as incorporated in any such approved template, on all such packaging, advertising and promotional materials with respect to Game Titles. Prior to the use of any such materials, GameTek will provide samples thereof to Take Two for Take Two approval, which shall not be unreasonably withheld or delayed. Such materials will be deemed approved by Take Two unless, within fifteen (15) days following the submission thereof to Take Two, Take Two shall notify GameTek in writing of any objection it may have thereto, specifying the reasons for such objection in reasonable detail and describing how such objections may be remedied in order to render the submitted materials acceptable to Take Two.

3. MANUFACTURING; PRICING.

3.1 GameTek represents that, prior to the delivery of any Game Title hereunder, it shall have designed the computer software and all documentation relating to such Game Title, to the extent necessary for same to be manufactured into Distributed Products and distributed by Take Two pursuant to this Agreement, and operated and perceived through the Game Machines. The Distributed Products shall consist of standard four (4) megabyte cartridges.

3.2 Take Two shall notify GameTek from time to time reasonably in advance of any required delivery date of the number of units that Take Two wishes GameTek to have manufactured in order to enable Take Two to fulfill its distribution requirements for each Game Title. Each such notification shall be accompanied by (i) a wire transfer of funds, either (at Take Two's option) to an account designated by GameTek or directly to Nintendo of America ("Nintendo") on behalf of GameTek, sufficient to enable GameTek to pay for the manufacture of the Distributed Products so ordered or, if requested by GameTek, (ii) the provision of an irrevocable documentary letter of credit in favor of Nintendo on behalf of GameTek in form satisfactory to Nintendo, for the full amount of the manufacturing cost of the goods ordered. In any event, Take Two shall arrange and pay for shipment of the goods from Japan (including all customs duties and similar charges) and for insuring the goods through delivery to Take Two or its customers, as applicable. Promptly and in no event later than two (2) business days after its receipt of such order and funds or letter of credit, GameTek shall arrange with Nintendo for the manufacture of such Distributed Products, including the posting of requisite letters of credit in favor of the manufacturer.

3.3 GameTek shall deliver to Nintendo the preliminary and final code for each Game Title in accordance with the delivery schedule set forth in Schedule "A" annexed hereto and shall use its reasonable best efforts to obtain in a timely manner all necessary approvals from Nintendo.

3.4. The purchase price payable by Take Two hereunder for each unit of Distributed Product shall be the sum of (i) the total cost charged to GameTek by Nintendo for the manufacture of the product, plus (ii) to the extent not included in (i) above or otherwise paid by Take Two directly, all insurance and transportation charges, import duties, custom fees and similar charges incurred in shipping the unit into its warehouse in the United States, (the sum of the amounts described in clauses (i) and (ii) being referred to collectively as "GameTek's Cost of Goods") plus (iii) all Third Party Royalties payable in respect of the sale or other disposition of such unit, plus (iv) $(**) (such $(**) per unit being referred to as the "GameTek Share"). Transportation to Take Two or its customers shall be arranged and paid for by Take Two. The portion of the purchase price constituting GameTek's Cost of Goods shall be paid by Take Two as provided in Section 3.2 hereof. The portion of such purchase price consisting of Third-Party Royalties shall be paid by Take Two to GameTek within thirty days after the end of each calendar month by wire transfer of immediately available funds into an account designated by GameTek in writing to Take Two commencing with the first sale by Take Two of Distributed Products. GameTek's Share in respect of any of the first (**) units sold hereunder shall be payable in accordance with the payment schedule set forth in Section 5.1(a). GameTek's Share in respect of any units in excess of (**) units shall only accrue and become payable upon (i) the collection by Take Two of all receivables from the sale of at least (**) and (ii) upon collection of the proceeds of sale of the relevant units in excess of (**). Payment of GameTek's Share with respect to units in excess of (**) shall be made within 30 days of the close of the month in which the GameTek Share is earned with respect to such units. Notwithstanding the foregoing, in the event that the Guaranty (as hereinafter defined) is reduced pursuant to the provisions of Sections 5.1(a) or (c) hereof, the (**) units referred to above in this paragraph shall be proportionately reduced.

3.5 Take Two shall be responsible, at its sole cost and expense, for the marketing, promotion and advertising of each Game Title, including co-operative advertising credits, shelf or "slot" fees and any similar discounts, credits or payments, provided that the amount to be spent thereon and the manner in which such expenditures shall be made shall be determined exclusively by Take Two in the exercise of its reasonable business judgment.

3.6 If any customer returns a unit on which Take Two has paid the GameTek Share (including returns for defects or "Bugs"), then Take Two shall have the right to recoup the amount of the GameTek Share and the Third Party Royalties previously paid by Take Two in respect of such unit from any other monies payable to GameTek hereunder. Except as otherwise provided in Section 7.4 hereof, if Take Two grants any customer price protection or a markdown of inventory in respect of any Distributed Product, an amount equal to 50% of the dollar value of any such price protection or markdown of inventory actually granted to such customer will be recoupable by Take Two out of monies otherwise payable to GameTek hereunder if, but only if, GameTek has authorized such price protection or markdown in a writing that specifies the account name, inventory quantity to be adjusted in price, and the per

unit and aggregate price adjustment being authorized. GameTek shall not unreasonably withhold or delay its consent to any such price protection or mark down. If and to the extent Take Two is unable to recoup any amounts owing by GameTek by reason of the provisions of this Section 3.6 within ninety (90) days after such amount first becomes due, then Take Two may notify GameTek of such fact and demand that GameTek pay the unrecouped amount. GameTek shall pay such unrecouped amount promptly after receipt of such demand for payment, but only to the extent that such payment does not reduce the aggregate amount of the GameTek Share received and retained by GameTek hereunder to below $(**) (or such lesser amount to which the Guaranty may reduced as provided in Sections 5.1(a) and (c) hereof). For purposes of clarity, it is the express intention of the parties that returns, price protection and markdowns shall not reduce the aggregate amount of the GameTek Share paid to and retained by GameTek in respect of the Guaranty to less than $(**) (or such lesser amount to which the Guaranty may be reduced as provided in Sections 5.1(a) (c) hereof).

4. PACKAGING, TESTING, ETC.:TRANSLATIONS

4.1 GameTek will place the game machine, medium and other operating requirements (such as minimum memory capacity) on the front outside of each Distributed Product, and will shrink-wrap all Distributed Product and will incorporate into the design of the packaging all relevant bar code information.

4.2. GameTek shall use its reasonable best efforts to ensure that each Distributed Product shall, in each different configuration in which such Distributed Product is to operate, be free of Bugs or other defects. GameTek shall be fully responsible for implementing all necessary corrective measures to correct any Bugs or other defects found to exist. Each party shall immediately notify the other party in writing if it discovers any Bugs or other defects in any Distributed Products.

4.3. All packaging for the Distributed Products shall contain credit to Take Two or its affiliates as distributor, GameTek as publisher and to appropriate third parties. The forms of such credits with respect to Take Two and GameTek shall be substantially in the forms annexed hereto in Schedule "B". The credits related to such third parties shall be in such form, substance and scope as to comply with GameTek's contractual obligations relating thereto.

4.4 All title and other ownership rights to each Distributed Product incorporating a Game Title shall vest in Take Two at such time as the goods are delivered for shipment by the manufacturer. GameTek shall retain a security interest in the goods until Take Two shall have paid to GameTek the full purchase price thereof. Take Two shall bear the risk of loss of any such Distributed Product from and after the moment at which such Distributed Product is shipped from the manufacturer's facility.

4.5 Take Two shall use its reasonable best efforts, consistent with standard industry custom and practice, to sell and to distribute the Distributed Products throughout the Territory during the Basic Term, subject to the terms to this Agreement.

4.6 All advertising, packaging and marketing and promotional materials proposed to be used by Take Two in connection with any of the Game Titles shall be submitted to GameTek for its written approval prior to any use or distribution thereof. GameTek shall be deemed to have approved any materials so submitted unless, within thirty (30) days following its receipt thereof, GameTek delivers to Take Two a written objection to the submitted materials specifying in reasonable detail the nature of such objection and the manner in which the submitted material must be changed in order to meet GameTek's approval.

4.7 Upon request by Take Two, GameTek shall prepare translated versions of one or both Game Titles. With respect to any such translation request, Take Two shall, at its own cost, provide GameTek with a complete and accurate translation of the text of the Game Title (including all relevant documentation) into the selected language, and GameTek shall insert such translated text into the Game Title within thirty (30) days after its receipt thereof from Take Two. The foreign language version of the text for each screen shot within any Game Title must be close enough to the length of the English version of such text to enable it to fit within the same text window as the English text. The parties shall agree on the fee that GameTek will charge and that Take Two will pay for including such translated text into the Game Title and related documentation prior to the delivery of the translated text to GameTek. If the parties cannot agree on a fee for such services, GameTek shall charge $40.00 per hour for each man hour expended is performing such services.

5. GUARANTEES AND ADVANCES.

5.1 Guarantees Payable by Take Two.

(a) Take Two guarantees to GameTek a minimum aggregate GameTek Share of $(**) (the "Guaranty") with respect to the first two Game Titles released hereunder (subject to possible reduction in the manner and to the extent described below). The Guaranty shall be payable in the manner described below:

(i) $(**) payable upon execution and delivery of this Agreement;

(ii) $(**) payable within three business days after delivery to Take Two of written notice of final code approval from Nintendo of Japan, Inc. for "Wheel of Fortune" game cartridge;

(iii) $(**) payable within three business days after the first commercial shipment from the manufacturer of "Wheel of Fortune" game cartridges;

(iv) $(**) payable within three business days after delivery to Take Two of written notice of final code approval from Nintendo of Japan, Inc. for "Jeopardy!" game cartridge;

(v) $(**) payable within three business days after the first commercial shipment from the manufacturer of "Jeopardy!" game cartridges;

(vi) $(**) payable within one hundred twenty (120) days after first shipment of the second Game Title released hereunder;

(vii) $(**) payable within two hundred forty (240) days after first shipment of the second Game Title released hereunder; and

(viii)$(**) payable within three hundred sixty (360) days after first shipment of the second Game Title released hereunder;

provided, however, that if for any reason GameTek is unable to obtain from Califon an extension of its existing license for "Wheel of Fortune" and "Jeopardy!" beyond August 31, 1998, then Take Two shall have no obligation to make the milestone payments described in clauses (vi), (vii) and (viii) above, and the aggregate Guaranty payable by Take Two hereunder shall be reduced from $(**) to $(**), the foregoing being Take Two's sole remedy hereunder for any failure by GameTek to obtain such license extension.

All payments made hereunder shall be made by wire transfer of immediately available funds to an account which GameTek shall designate at least two full business days prior to the due date of any relevant payment.

(b) Notwithstanding any contrary provision contained herein, (i) Take Two shall be entitled to recoup out of the GameTek Share otherwise payable to GameTek in respect of any Game Title covered hereunder, on a fully cross-collateralized basis, the full amount of the advance Guaranty payments theretofore paid by Take Two to GameTek pursuant to Section 5.1(a) above, and (ii) to the extent that Take Two furnishes GameTek with documentation evidencing the fact that Take Two has incurred more than $150,000 in advertising, marketing, promotion and sales support for the Game Titles, Take Two may recoup up to $(**) of such costs in excess of $150,000 from the GameTek Share otherwise payable to GameTek in respect of the first (**) units of Distributed Product sold or distributed by Take Two hereunder in excess of the Guaranty (i.e., units (**) through (**); provided that such numbers shall be proportionately reduced if the Guaranty is reduced pursuant to the provisions of Sections 5.1(a) or (c) hereof).

(c) If GameTek (i) is unable to obtain from Califon an extension of its existing license beyond August 31, 1998, and (ii) does not deliver the notice of final code approval for the "Wheel of Fortune" game cartridge and/or the "Jeopardy!" game cartridge by the dates specified in Schedule "A" annexed hereto, then for each and every month or partial month that delivery of either such approval notice is delayed beyond the date specified in Schedule "A," the amount payable by Take Two upon delivery of such notice shall be decreased by $100,000, provided that the aggregate amount of such decrease occasioned by the late delivery of either such notice shall not exceed the amount specified in Schedule "A" as payable upon delivery of such notice.

(d) If GameTek does not deliver the notice of final code approval for either the "Wheel of Fortune" game cartridge or the "Jeopardy!" game cartridge within ninety (90) of the delivery date specified in Schedule "A" annexed hereto, then Take Two shall have the option on written notice to GameTek to delete such Game Title from this Agreement without GameTek being in default as a result thereof, and GameTek shall, within ten (10) business days of such notice, refund to Take Two all amounts paid by Take Two to GameTek in respect of the Game Title so deleted. Notwithstanding the foregoing, if GameTek's rights with respect to any Game Title terminate prior to the end of the Expoitation Period therefor as a result of a failure by GameTek to comply with its obligations under any agreement with respect thereto, Take Two shall have the right to perform or cause to be performed such obligations, and the reasonable out-of-pocket expenses incurred by Take Two in connection therewith (to the extent such expenses exceed amounts that otherwise would have been payable by Take Two hereunder with respect to such Game Title) shall be recoupable by Take Two out of funds otherwise payable to GameTek hereunder on a fully cross-collateralized basis, or at Take Two's election, paid directly by GameTek with thirty days after receipt of Take Two's invoice therefor.

5.2 Unless and to the extent expressly provided otherwise in this Agreement, each party hereto shall bear all costs and expenses incurred in connection with the performance of its obligations hereunder, without any right of contribution from the other party hereto.

6. RIGHT OF INSPECTION; LATE PAYMENT.

6.1 Each party shall maintain, throughout the term of this Agreement and for three years thereafter, at its principal executive offices complete and accurate books of account concerning sales of the Distributed Products hereunder. Upon five business days' prior written notice, either party hereto, or its agents on its behalf, may examine the other party's books and records relating to the sale of the Distributed Products in order to verify the accuracy thereof,

during normal business hours, and upon reasonable prior written notice; provided that neither party may conduct more than one such audit in any six month period.

6.2 If either party fails or refuses to pay any amount owing to the other party hereunder when due, then the party in default shall reimburse the other party for any collection expenses it may incur and the amount not timely paid, including any such collection expenses, shall bear interest at a rate per annum equal to 3% over the prime rate announced from time to time by Citibank, N.A., accruing from the first date on which such monies were due and owing.

7. REPRESENTATIONS AND WARRANTIES:

7.1 Take Two hereby warrants and represents that:

(i) This Agreement has been duly authorized, executed and delivered by Take Two; Take Two has the full power and authority to enter into this Agreement and to perform its obligations hereunder and is free to enter into this Agreement; this Agreement constitutes the valid and binding obligation of Take Two, enforceable in accordance with its terms; and the making of this Agreement by Take Two does not violate any agreement, right or obligation existing between Take Two on the one hand, and any other person, firm or corporation, on the other hand;

(ii) No consents of any third parties are required for Take Two to enter into this Agreement; and

(iii) Take Two shall devote substantially the same degree of diligence, effort, resources and care to the performance of its obligations hereunder as it devotes to the distribution of its proprietary products or to the performance of its current contractual obligations to third parties with respect to similar products.

7.2 GameTek hereby represents and warrants that:

(i) This Agreement has been duly authorized, executed and delivered by GameTek; GameTek has the full power and authority to enter into this Agreement and to perform its obligations hereunder and is free to enter into this Agreement; this Agreement constitutes the valid and binding obligation of GameTek, enforceable in accordance with its terms; the making of this Agreement by GameTek does not violate any agreement, right or obligation existing between GameTek on the one hand, and any other person, firm or corporation, on the other hand; and GameTek has not heretofore granted such rights to the Game Titles to any other person, party or company for use in connection with the Distributed Products;

(ii) Neither the computer software, nor the documentation incorporated in any Game Title, nor the Game Title itself distributed by Take Two hereunder, or any part of any character, object, sound or music embodied therein infringes or shall infringe upon any common law or statutory rights of any third party including, without limitation, contractual

rights, patents, copyrights, trade secrets, rights of privacy, or other intellectual property rights. The Distributed Products will be free of material defects in materials and workmanship;

(iii) GameTek shall keep Take Two apprised of any material changes to the delivery dates set forth in Schedule "A" annexed hereto;

(iv) There are no royalties payable to any third parties in respect of the Game Titles other than those specified in Schedule "A" annexed hereto.

7.3 Take Two shall make no warranties or representations of any kind with respect to the Distributed Products to any purchaser end-user thereof, whether express or implied. To the extent permitted by applicable law, GameTek's warranty set forth in the last sentence of Section 7.2(iii) above, is the only warranty, express or implied, that GameTek will make to any third party with respect to the Distributed Products (such warranty to be limited to ninety (90) days from the date of purchase by the end-user) and all implied warranties including but not limited to the implied warranties of merchantability and fitness for a particular purpose are hereby disclaimed. Any product recalls shall be GameTek's sole responsibility.

7.4 (a) WalMart, Inc. ("WalMart") has claimed that it is entitled to in excess of $400,000 in credits from GameTek for price protection, returns, stock balancing and the like. GameTek disputes that it owes WalMart such amount and has requested that WalMart furnish it with documentation establishing its rights to all or any part of such amount. GameTek and WalMart have agreed that, to the extent WalMart establishes its entitlement to any part of such amount through documentation that is satisfactory to GameTek (such demonstrated and agreed credit, the "WalMart Agreed Credit"), WalMart shall recoup the WalMart Agreed Credit solely by taking a 10% discount off the invoiced price of any GameTek product subsequently purchased by WalMart from GameTek. Take Two shall not offer any such discount on GameTek products that it sells to WalMart nor shall it solicit or encourage a request by WalMart for any such discount in connection with sales made by Take Two to WalMart hereunder. If, however, WalMart demands such a discount on product purchased by it from Take Two hereunder without any such offer, solicitation or encouragement by Take Two, then Take Two may grant WalMart a 10% discount on the invoiced price of any Distributed Products sold to WalMart hereunder and may recoup the full amount of such discount from amounts otherwise payable to GameTek hereunder; provided that in no event may Take Two recoup from GameTek under this Section 7.4(a), in the aggregate, more than the total amount of the WalMart Agreed Credit.

(b) Toys "R" Us, Inc. ("Toys") has claimed that it is entitled to approximately $250,000 in credits from GameTek for price protection, returns, stock balancing and the like. GameTek and Toys have agreed that Toys shall recoup the full amount of such credit (the "Toys Agreed Credit") solely by taking a 10% discount off the invoiced price of any GameTek product subsequently purchased by Toys from GameTek. Take Two shall not offer any such discount on GameTek products that it sells to Toys nor shall it solicit or encourage a request by Toys for any such discount in connection with sales made by Take Two to Toys hereunder. If, however, Toys demands such a discount on product purchased by it from Take Two hereunder without any such offer, solicitation or encouragement by Take Two, then Take

Two may grant Toys a 10% discount on the invoiced price of any Distributed Products sold to Toys hereunder and may recoup the full amount of such discount from amounts otherwise payable to GameTek hereunder; provided that in no event may Take Two recoup from GameTek under this Section 7.4(b), in the aggregate, more than the total amount of the Toys Agreed Credit.

8. INDEMNIFICATION; INSURANCE.

8.1 Take Two shall indemnify GameTek, its subsidiaries, parents and affiliates and their respective officers, directors, employees and agents (the "GameTek Parties") and undertakes to defend the GameTek Parties, and hold the GameTek Parties harmless from any actions, claims, suits, proceedings, loss, liability, cost, expense (including reasonable attorney's fees) or damage suffered by any of them arising out of or connected in any way with any acts, omissions or misrepresentations by Take Two that constitute a breach of this Agreement by Take Two or any breach by Take Two of its representations, warranties or agreements herein made, including without limitation the reasonable costs of any direct claim by GameTek against Take Two by reason of the foregoing. GameTek shall not settle any such third party claim or proceeding without Take Two's prior written consent, which shall not be unreasonably withheld or delayed. Take Two shall have the right, at its expense, to participate in the defense thereof with counsel of its choice, provided further that GameTek shall have the right at all times, in its sole discretion, to retain or resume control of the conduct thereof. Take Two shall provide GameTek with any assistance that GameTek reasonably requests in connection therewith at GameTek's cost.

8.2 GameTek shall indemnify Take Two, its subsidiaries, parents and affiliates and their respective officers, directors, employees and agents (the "Take Two Parties") and undertakes to defend the Take Two Parties and hold the Take Two Parties harmless from any actions, claims, suits, proceedings, loss, liability, cost, expense (including reasonable attorney's fees) or damage suffered by any of them arising out of or connected in any way with any acts, omissions or misrepresentations by GameTek that constitute a breach of this Agreement by GameTek or any breach by GameTek of its representations, warranties and agreements herein made, including without limitation the reasonable costs of any direct claim by Take Two against GameTek by reason of the foregoing. Take Two shall promptly notify GameTek of any such third party claim or proceeding and shall not settle any such claim without GameTek's prior written consent, which shall not be unreasonably withheld or delayed. GameTek shall have the right, at GameTek's expense, to participate in the defense thereof with counsel of GameTek's choice, provided that Take Two shall have the right at all times, in Take Two's sole discretion, to retain or resume control of the conduct thereof. GameTek shall provide Take Two with any assistance that Take Two reasonably requests in connection therewith at Take Two's cost.

8.3 (a) Take Two shall obtain and maintain at its own expense, product liability and errors and omissions insurance from a recognized and qualified insurance company naming GameTek as insured in the amount of at least $1 million per occurrence and $2 million in the aggregate against any claims, suits, loss or damage arising out of any personal injury or property damage arising out of the Distributed Products. Such policy shall

not be subject to cancellation or material amendment except after thirty (30) days prior written notice to GameTek. GameTek will be named as an additional insured on such policy. As proof of such insurance, a fully paid certificate of insurance will be submitted to GameTek by Take Two on or before approval by Nintendo of Japan, Inc. of the final code for the first Game Title released hereunder.

(b) GameTek shall obtain and maintain at its own expense, product liability and errors and omissions insurance from a recognized and qualified insurance company naming Take Two as insured in the amount of at least $1 million per occurrence and $2 million in the aggregate against any claims, suits, loss or damage arising out of any personal injury or property damage. Such policy shall not be subject to cancellation or material amendment except after thirty (30) days prior written notice to Take Two. Take Two will be named as an additional insured on such policy. As proof of such insurance, a fully paid certificate of insurance will be submitted to Take Two by GameTek on or before the execution of this Agreement approval by Nintendo of Japan, Inc. of the final code for the first Game Title released hereunder.

9. EXPIRATION OR TERMINATION OF AGREEMENT:

9.1 In the event that GameTek materially breaches this Agreement with respect to a Game Title hereunder and such breach is not cured within thirty (30) days after receipt of notice from Take Two of such breach (in the case of any delay in receipt of final code approval from Nintendo for any Game Title, GameTek shall not be deemed to be in breach until the ninety (90) day period referred to in Section 5.1(d) has expired; however, GameTek shall have no further cure rights with respect thereto), then, without in any way limiting any of Take Two's other rights and remedies in such event, and notwithstanding any provision to the contrary contained herein, Take Two shall have the right at its sole election to terminate this Agreement with respect to the affected Game Title to which GameTek's material breach relates, upon written notice to GameTek (the "Termination Notice"). In such event, and without in any way limiting any of Take Two's rights and remedies, and notwithstanding any provision to the contrary contained herein, but only with respect to the affected Game Title which is the subject of the Termination Notice, GameTek shall pay to Take Two an amount equal to any unrecouped portion of the Guaranty allocable to such Game Title (as set forth on Schedule "A") and theretofore paid by Take Two to GameTek hereunder. All such amounts as described above may be deducted from payments to be made to GameTek hereunder, or Take Two shall have the option to require that GameTek repay to Take Two any such amount owed pursuant hereto, which GameTek shall do within thirty (30) days following Take Two's written request therefor. In addition, if so requested by Take Two, GameTek shall purchase from Take Two all remaining inventory with respect to the affected Game Title at Take Two's cost, and Take Two shall deliver such inventory to a location or locations designated by GameTek upon Take Two's receipt of such purchase price. Payment of any amount owing to Take Two hereunder shall be made within thirty (30) days of Take Two's invoice therefor.

9.2 In the event Take Two fails to render any accounting or pay any monies owing to GameTek hereunder or if Take Two otherwise materially breaches this Agreement

with respect to a Game Title hereunder and such breach is not cured within thirty (30) days (in the case of a payment default, within two (2) business days after notice of default) after receipt of notice from GameTek of such breach, then without in any way limiting any of GameTek's other rights and remedies in such event, and notwithstanding any provision to the contrary contained herein, GameTek shall have the right at its sole election to terminate this Agreement.

9.3 If either party to this Agreement files a petition in bankruptcy or is adjudged a bankrupt, or if a petition in bankruptcy is filed against such party and is not dismissed with prejudice within sixty (60) days (the "bankrupt or insolvent party"), the other party shall have the right to terminate this Agreement, upon written notice to the bankrupt or insolvent party.

9.4 Upon any expiration or termination of this Agreement, all rights granted to Take Two herein shall immediately revert to GameTek, with the consequences described below. If the expiration or termination relates to less than all Game Titles covered hereby, then the provisions of this Section 9.4 shall relate only to such affected Game Titles:

(i) Take Two shall continue to satisfy all of its payment obligations then or at any time thereafter becoming due and payable;

(ii) GameTek shall thereafter be free to distribute or authorize others to distribute the affected Game Titles;

(iii) Take Two shall not thereafter advertise, distribute or sell Distributed Products incorporating the affected Game Titles, and will cease all display, advertising and use of related GameTek Property, except that Take Two may, if the termination of this Agreement was not by GameTek as a result of a breach or default by Take Two, sell off existing inventories of such Distributed Products in the Territory on a non-exclusive basis for a period of six (6) months (which is equal to the length of the sell-off period granted to GameTek under its licenses with Califon Productions, Inc.), subject to all the other terms and conditions hereof. If this Agreement is terminated by GameTek by reason of a breach or default by Take Two, then Take Two shall, at GameTek's request ship such inventory at Take Two's expense to GameTek's California warehouse promptly upon Take Two's receipt of payment by GameTek of Take Two's manufacturing cost for such inventory. In any case, Take Two shall, within ten (10) business days after any expiration or termination of the Exploitation Period for any Game Title, deliver to GameTek a complete and accurate statement indicating the number, description and whereabouts of all units of Distributed Products relating to such Game Title that are in Take Two's inventory as of the date of such expiration or termination of the applicable Exploitation Period; and

(iv) Take Two shall return to GameTek all materials furnished to Take Two by GameTek hereunder with respect to the affected Game Titles or give evidence satisfactory to GameTek of their destruction.

9.5 Notwithstanding any contrary provision contained herein but subject to Take Two's exclusive rights with respect to Distributed Products in the Territory during the

Basic Term, each of the parties acknowledges and agrees that during the term of this Agreement and thereafter each party shall be free to market, sell, distribute, license or sublicense or otherwise deal in or exploit any software titles, whether for use on personal computers or game console systems, including titles that may be competitive with the Game Titles, without any liability or obligation to the other party by reason thereof.

10. NOTICES:

All notices, statements and/or payments to be given to the parties hereunder shall be addressed to the parties at the addresses set forth on the first page hereof or at such other address as the parties shall designate in writing from time to time. All notices shall be in writing and shall either be served by personal delivery (to an officer of each company), mail, or facsimile (if confirmed by mail or personal delivery of the hard copy), all charges prepaid. Except as otherwise provided herein, such notices shall be deemed given when personally delivered, all charges prepaid, or on the date five (5) days following the date of mailing, except that notices of change of address shall be effective only after the actual receipt thereof. Copies of all notices to Take Two should be sent to Take Two, Attention: Office of the President, with a copy to Gibson Dunn & Crutcher, LLP, 2029 Century Park East, Suite 4000, Los Angeles, California 90067, Attention: Don Parris, Esq. Copies of all notices to GameTek should be sent to GameTek, Attention: Office of the President, and to Ackerman, Levine & Cullen, LLP, 175 Great Neck Road, Great Neck, New York 11021, Attention: John M. Gaioni, Esq.

11. MISCELLANEOUS:

11.1 Take Two shall have the right, at its election, to assign any of its rights or obligations hereunder, in whole or in part, to any subsidiary, affiliated, or related company, or to any person, firm or corporation owning or acquiring all or substantially all of Take Two's stock or assets, provided that any such assignment by Take Two shall not relieve Take Two of its obligations hereunder, and provided further, that the assignee shall acknowledge to GameTek in writing that such assignment is subject to, and the assignee agrees to be bound by, the terms and conditions of this Agreement.

11.2 The entire understanding between the parties hereto relating to the subject matter hereof is contained herein. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express or implied, between the parties other than as expressly set forth in this Agreement. This Agreement cannot be changed, modified, amended or terminated except by an instrument in writing executed by both Take Two and GameTek. The Schedules annexed hereto constitute a part of this agreement. The headings and captions used herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement. This Agreement shall not be deemed effective, final or binding upon Take Two or GameTek until signed by each of them. Only the final, executed Agreement is admissible as the written agreement between the parties and prior drafts, if any, incorporating revisions or original language may not be used, and shall not be admissible as evidence for any purpose in any litigation that may arise between

the parties. This Agreement shall be deemed to have been drafted by all the parties hereto, since all parties were assisted by their counsel in reviewing and agreeing thereto, and no ambiguity shall be resolved against any party by virtue of its participation in the drafting of this Agreement.

11.3 No waiver, modification or cancellation of any term or condition of this Agreement shall be effective unless executed in writing by the party charged therewith. No written waiver shall excuse the performance of any act other than those specifically referred to therein and shall not be deemed or construed to be a waiver of such terms or conditions for the future or any subsequent breach thereof. Except as otherwise provided in this Agreement, all rights and remedies herein or otherwise shall be cumulative and none of them shall be in limitation of any other right or remedy.

11.4 This Agreement does not constitute and shall not be construed as constituting a partnership, joint venture, sublicense or agency relationship between Take Two and GameTek. Neither Take Two nor GameTek shall have any right to obligate or bind the other in any manner whatsoever, and nothing herein contained shall give or is intended to give any rights of any kind to any third persons.

11.5 Any claim, dispute or disagreement between the parties arising out of or relating to this Agreement or the transactions or relationships contemplated hereby shall be resolved by arbitration under the Commercial Arbitration Rules of the American Arbitration Association, as in effect from time to time before a single arbitrator in New York City, New York. The decision of the arbitrator shall be in writing, shall include an award of reasonable attorneys' fees to the prevailing party, and either party may enter judgment thereon in any court of competent jurisdiction. Notwithstanding the foregoing, in the event of any breach or threatened breach by either party of the provisions of this Agreement, the aggrieved party may seek and obtain a temporary restraining order, preliminary injunction or other equitable relief restraining such breach or threatened breach from any court of competent jurisdiction.

11.6 This Agreement shall be governed by the laws of the State of New York applicable to contracts made to be wholly performed in the State of New York (without regard to choice of law). Subject to the provisions of Section 11.5 hereof, any action, suit or proceeding may be brought in any of the courts of the State of New York , in New York City, New York, or any of the federal courts within the Southern District of New York. Each of the parties hereto irrevocably submits to the personal jurisdiction of such courts in connection with any such action, suit or proceeding. In any action, suit or proceeding arising out of or relating to this Agreement or the transactions or relationships contemplated hereby (including any arbitration proceeding) the prevailing party will be entitled to recover court costs and reasonable fees of attorneys, accountants and expert witnesses incurred by such a party in connection with such action. Any process in any action or proceeding commenced in such courts may, among other methods, be served upon GameTek or Take Two, as applicable, by delivering or mailing the same, via registered or certified mail, return receipt requested, addressed to GameTek or Take Two, as applicable, at the addresses set forth in the first page hereof or such other address as the parties, as applicable, may designate pursuant to Section 10 hereof. Any such service by delivery or mail shall be deemed to have the same force and effect as personal service within the State of New York.

11.7 Except for GameTek's delivery obligations with respect to delivery of notice of final code approval for the Game Titles pursuant to Schedule "A" annexed hereto (which are subject to certain exclusive remedy provisions) and as may otherwise be provided herein, neither party shall be deemed to be in breach of any of its obligations hereunder unless and until it shall have been given specific written notice by certified or registered mail, return receipt requested, of the nature of such breach and it shall have failed to cure such breach within thirty (30) days (ten days in the case of a payment default) after receipt of such written notice.

11.8 If any provision of this Agreement is or becomes or is deemed invalid, illegal or unenforceable under the applicable laws or regulations of any jurisdiction, such provision will be deemed amended to conform to such laws or regulations if such amendment can be effected without materially altering the intention of the parties; otherwise it shall be stricken and the remainder of this Agreement shall remain in full force and effect.

11.9 Wherever the approval or consent of a party is required hereunder, such approval or consent shall be in writing and shall not be unreasonably withheld or delayed.

11.10 If Take Two is not able to receive payment from any customer in United States dollars because such payment is prohibited or restricted by applicable laws or governmental regulations, then GameTek's Share may be paid by Take Two in the same currency in which Take Two receives such payment, applying Citibank N.A.'s exchange rate as in effect on the date such payment is due to GameTek.

12. CONFIDENTIAL INFORMATION

12.1 Each party hereto shall keep in confidence and not disclose to any third party, without the written permission of the other party, the proprietary information of such other party disclosed under or pursuant to this Agreement. This requirement of confidentiality shall not apply to information that is (a) in the public domain through no wrongful act of the receiving party; (b) rightfully received by the receiving party from a third party who is not bound by a restriction of nondisclosure; (c) already in the receiving party's possession without restriction as to disclosure; or (d) required to be disclosed by applicable rules and regulations of government agencies or judicial bodies. This obligation of confidentiality shall survive termination of this Agreement.

13. EFFECT ON AGREEMENT OF BANKRUPTCY OF GAMETEK

13.1 This Agreement and all rights and licenses granted by GameTek to Take Two pursuant to this Agreement are and shall otherwise be deemed to be, for the purpose of Section 365(n) of the United States Bankruptcy Code (the "Bankruptcy Code") an executory agreement under which GameTek is a licensor of "intellectual property" as defined under Section 101(35A) of the Bankruptcy Code. The provisions of Section 14 herein relating to the source code escrow and any separate escrow agreements entered into thereunder shall be

considered "supplementary agreements" (as that term is used in the Bankruptcy Code) to such license and grant of intellectual property rights. GameTek agrees that if GameTek as a debtor-in-possession or if a trustee in bankruptcy rejects this Agreement, Take Two may elect to retain its rights under this Agreement as provided under Section 365(n) of the Bankruptcy Code. Upon written request of Take Two to GameTek or the trustee in bankruptcy, GameTek or such trustee shall allow Take Two to exercise its rights under this Agreement and shall not interfere with the rights of Take Two as provided in this Agreement, provided that Take Two shall continue to pay all payments as and when due to GameTek hereunder and shall continue to otherwise perform all of its obligations hereunder when due.

14. SOURCE CODE ESCROW

14.1 Deposit of Source Code Into Escrow. GameTek represents, warrants and covenants that, within 10 days after the execution of this Agreement, it shall deposit a copy of the source code for the Game Titles and all related technical information necessary to complete and manufacture the Game Titles (except for proprietary third party software tools) with an escrow agent to be mutually agreed upon in writing by GameTek and Take Two (the "Escrow Agent"). GameTek shall provide updated source code and technical information to the Escrow Agent on a bi-weekly basis in accordance with and as required by this Agreement or any amendment hereto. Take Two shall be entitled, at its sole cost, to audit the escrowed source code and technical information periodically at the offices of the escrow agent to ensure GameTek's compliance with the deposit requirements of this Section 14, but without making any copies thereof or removing any portion thereof from the escrow agent's offices. In addition to the foregoing, in the event of an occurrence of a condition for release of the source code, Take Two shall be entitled to obtain from GameTek the source code for any portions of the of the Game Titles or technical information relating thereto, including work-in-progress, that has been created but not deposited with the Escrow Agent. Fees and expenses of any Escrow Agent shall be paid by Take Two.

14.2 Conditions for Release of Source Code. Such copies of the source code and technical information shall be held in escrow and shall be released to Take Two only upon the payment of any duplication costs and other handling charges of the Escrow Agent, and only during the term and prior to the termination of this Agreement, in the event that:

(a) GameTek (i) files a petition for relief or reorganization in bankruptcy; (ii) makes an assignment for the benefit of creditors or is adjudicated as bankrupt or insolvent (iii) a custodian, receiver trustee or other officer with similar powers is appointed for it or its property or (iv) an involuntary petition in bankruptcy is filed against GameTek which is not stayed or discharged within ninety (90) days after filing; or

(b) GameTek ceases to actively develop the Game Titles either directly or indirectly through the loss and non-replacement of key individuals responsible for development of the Game Titles (such cessation of development to be deemed conclusively to have occurred in the event of a delay of ninety (90) days or more in the delivery of any milestone required to be delivered by GameTek hereunder); or

(c) GameTek materially fails or discontinues to correct any Bugs or other defects or comply with any requests by Nintendo for modifications necessary to obtain required Nintendo approvals and such failure or discontinuance continues for thirty (30) days after notice of default from Take Two. GameTek shall promptly provide Take Two with copies of any request by Nintendo (including memoranda of any oral request), for such modifications.

14.3 Development of Game Titles. In the event of a release of the source code pursuant to this Section 14, GameTek shall use its reasonable best efforts to assign its rights under any applicable agreement with respect to the Game Titles in order to facilitate the completion of development of such Game Titles. Take Two may hire any software developer or programmer or outside development companies, regardless of whether such persons or entities were previously employed by GameTek, in order to complete the development of the Game Titles but may not solicit any employees or contractors then employed or retained by GameTek; provided that to the extent that the services of any such employees or contractors then employed or retained by GameTek are required for the completion of any Game Title, the parties shall enter into a service sharing arrangement under which Take Two may obtain the services of such employees and/or contractors on a part-time or after-hours basis for the purpose of completing the development of such Game Title as long as such sharing does not materially interfere with GameTek's operations. GameTek hereby consents to the utilization by such persons or entitles of intellectual property of GameTek necessary to complete the development of the affected Game Titles and agrees to cooperate with Take Two in obtaining the services of persons or entities required to complete development of the Game Titles.

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IN WITNESS WHEREOF, the parties hereto have signed this agreement as of the day and year first above written.

TAKE TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

Its: CEO

Date: July 29, 1997

GAMETEK, INC.

By: /s/ Robert L. Underwood

Its: Authorized Signer

Date: July 29, 1997

72371 (taken from 72342)

[Signature page to GameTek/Take Two N64 Distribution Agreement.]

SCHEDULE A

Game Titles:

a. Wheel of Fortune for the Nintendo N64 game system

b. Jeopardy! for the Nintendo N64 game system

Milestone Schedule:

a. Written notice of final code approval for Wheel of Fortune - September 18, 1997.

b. Written notice of final code approval for Jeopardy! - November 10, 1997

Third Party Royalties:

a. Wheel of Fortune: (i) (**)% of the aggregate of (i) GameTek's Cost of Goods, (ii) the GameTek Share, and (iii) all Third Party Royalties (exclusive of any Third Party Royalties payable to Califon Productions, Inc.) with respect to each unit, payable to Califon Productions, Inc.; and

(ii) $(**) per unit, payable to Vanna White.

b. Jeopardy!: (i) (**)% of the aggregate of (i) GameTek's Cost of Goods, (ii) the GameTek Share, and (iii) all Third Party Royalties (exclusive of any Third Party Royalties payable to Califon Productions, Inc.) of each unit, payable to Califon Productions, Inc.; and

(ii) $(**) per unit, payable to Alex Trebek.

72371 (taken from 72342)

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of July 10, 1997 (the "Agreement"), among Take-Two Interactive Software, Inc., a Delaware corporation ("TTIS"); Take-Two Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of TTIS ("Subsidiary"); Inventory Management Systems, Inc., a Virginia corporation ("Inventory"); David Clark ("David"), Karen Clark ("Karen"), Terry Phillips ("Terry") and Cathy Phillips ("Cathy"). David, Karen, Terry and Cathy are sometimes referred to as the "Shareholders."

W I T N E S S E T H :

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

WHEREAS, TTIS desires to combine Inventory's Business with its existing computer software business; and

WHEREAS, the Board of Directors of TTIS, the Board of Directors of Subsidiary, TTIS as the sole shareholder of Subsidiary, and the Board of Directors of Inventory and Shareholders have: (a) determined that it is in the best interests of their respective companies for Inventory to be merged with and into Subsidiary upon the terms and subject to the conditions set forth herein; and (b) approved the merger of Inventory with and into Subsidiary (the "Merger") in accordance with the General Corporation Law of the State of Delaware ("Delaware Law"), and the Stock Corporation Act of the State of Virginia ("Virginia 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 the Delaware Law and the Virginia Law, Inventory shall be merged with and into Subsidiary, the separate corporate existence of Inventory 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. As promptly as practicable after the satisfaction or waiver of the conditions set forth in Section 6, unless this Agreement shall have been terminated and the transactions contemplated herein shall have been abandoned pursuant to Section 8.1, Subsidiary and Inventory shall cause the Merger to be consummated by filing a Certificate of Merger (the "Certificate of Merger") with the Secretaries of State of the States of Delaware and Virginia in the form of Exhibit A hereof and making such other filings as may be required by the Delaware Law and the Virginia Law, in such form as required by and executed in accordance with such laws (the time of the last of such filings to be made 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 Delaware Law and Virginia 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 Inventory and all debts due Inventory shall vest in Subsidiary, and all debts, liabilities, obligations and duties of Inventory shall become the debts, liabilities, obligations and duties of Subsidiary.

1.4. Articles of Incorporation; By-Laws.

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

1.5. Directors and Officers of Subsidiary.

(a) The directors of Subsidiary immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with applicable law, the Certificate of Incorporation and By-Laws of

the Surviving Corporation until resignation, removal or replacement.

(b) Except for David, who shall at the Effective Time be duly nominated and appointed as President of the Surviving Corporation, the officers of Subsidiary immediately prior to the Effective Time shall constitute the initial officers of the Surviving Corporation, in each case to serve at the pleasure of the Board of Directors of Subsidiary until their respective resignation, removal or placement.

1.6. Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of TTIS, Subsidiary, Inventory or the Shareholders:

(a) Any share of Inventory Common Stock (as defined in Subsection 2.2 hereof) held in the treasury of Inventory shall be cancelled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(b) All of the outstanding shares (the "Shares") of the Inventory Common Stock shall be converted into the right to receive 750,000 shares of Common Stock, $.01 par value per share, of TTIS ("TTIS Common Stock") (hereafter referred to as the "Share Consideration" or the "Merger Consideration") against the surrender to Subsidiary of the certificates representing the Shares. Any share of Inventory preferred stock, warrant, option or other security convertible or exchangeable into Inventory capital stock shall be cancelled and

extinguished without any conversion thereof and no payment shall be made with respect thereto.

(c) 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.

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

(e) From and after the Effective Time, the holders of certificates evidencing ownership of Shares shall cease to have any rights with respect to the 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 Shares for any amount properly paid to a public official pursuant to any applicable property, escheat or similar law.

(g) No fractional shares of TTIS Common Stock shall be issued in connection with the Merger and the Shareholders will be issued a whole share of TTIS Common Stock in lieu of any fractional shares.

2. Representations and Warranties as to Inventory. Each of the Shareholders, jointly and severally, represents and warrants to TTIS and Subsidiary as follows:

2.1. Organization, Standing and Power. Inventory is a corporation duly organized, validly existing and in good standing under the laws of the State of Virginia, with full corporate power and corporate authority to (i) own, lease and operate its properties, (ii) carry on its business as currently conducted by it and (iii) execute and deliver, and perform under this Agreement and each other agreement and instrument to be executed and delivered by it pursuant hereto. Except as set forth on Schedule 2.1, there are no states or jurisdictions in which the character and location of any of the properties owned or leased by Inventory, or the conduct of its business makes it necessary for Inventory to qualify to do business as a foreign corporation, where the failure to so qualify would have a material adverse effect on the business, operations or financial condition of Inventory. True and complete copies of the Articles of Incorporation of Inventory and all amendments thereof, and of the By-Laws of Inventory, as amended to date, have heretofore been furnished to TTIS. Inventory's minute books contain complete and accurate records of all meetings and other corporate actions of Inventory's stockholders and Board of Directors (including committees of its Board of Directors).

2.2. Capitalization. (a) The authorized capital stock of Inventory consists of 5,000 shares of common stock, par value $.01 per share (the "Inventory Common Stock"), of which 40 shares are issued and outstanding. All of the Inventory Common Stock is duly authorized, validly issued, fully paid and nonassessable. Schedule 2.2 sets forth a true and complete list

of the holders of all outstanding shares of Inventory Common Stock, and the holders of all outstanding options and warrants issued by Inventory. Except as set forth on Schedule 2.2, there are no options, warrants or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of Inventory or any of its subsidiaries or obligating the Shareholders or Inventory or any of their subsidiaries to issue or sell any shares of capital stock of or other equity interests in Inventory or any of its subsidiaries. There is no personal liability, and there are no preemptive rights with regard to the capital stock of Inventory or its subsidiaries, and no right-of-first refusal or similar rights with regard to such capital stock. Except as set forth on Schedule 2.2 and except for the transactions contemplated by this Agreement, there are no outstanding contractual obligations or other commitments or arrangements of Inventory or any of its subsidiaries to (A) repurchase, redeem or otherwise acquire any shares of Inventory Common Stock (or any interest therein) or (B) to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any such subsidiary or other entity, or (C) issue or distribute to any person any capital stock of Inventory or its subsidiaries, or (D) issue or distribute to holders of any of the capital stock of Inventory or its subsidiaries any evidences of indebtedness or assets of Inventory or its subsidiaries. All of the outstanding securities of Inventory have been issued and sold by Inventory in full compliance with applicable federal and state securities laws.

(b) The outstanding shares of capital stock of each of the subsidiaries of Inventory, are duly authorized, validly issued, fully paid and nonassessable, and such shares are owned by Inventory, directly or indirectly, free and clear of all security interests, liens, adverse claims, pledges, agreements, limitations on Inventory's voting rights, charges and other encumbrances of any nature whatsoever.

2.3. Ownership of Inventory Common Stock. The Shareholders have good and marketable title to all of the issued and outstanding shares of Inventory Common Stock, free and clear of any and all liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, which shares are held by them in the amounts set forth in Schedule 2.3 hereof, and on the Closing Date (as defined in Section 7 hereof) will own all of such Inventory Common Stock, free and clear of any and all liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, including, but not limited to, any claims by any present or former stockholders of Inventory.

2.4. Interests in Other Entities.

(a) Schedule 2.4 sets forth a true and complete list of all direct or indirect subsidiaries of Inventory, together with the jurisdiction of incorporation of each such subsidiary and the percentage of each such subsidiary's outstanding capital stock owned by Inventory or another of Inventory's subsidiaries. Each of such subsidiaries are duly organized corporations, validly existing and in good standing

under the laws of the jurisdiction of its respective incorporation (as well as all applicable foreign jurisdictions necessary to its business operations) and have the requisite corporate power and authority and governmental authority to own, operate or lease the properties that each purports to own, operate or lease and to carry on its business as it is now being conducted.

(b) Except for (A) each of Terry's and David's ownership of 33.3% of the outstanding capital stock of Creative Alliance Group, Inc., and (B) Terry's ownership of 100% of the outstanding capital stock of Phillips Sales, Inc. ("Phillips"), a Virginia corporation engaged in the business of acting as representative in the distribution of "front-line" interactive software games and the sale of "close out" interactive software games, neither the Shareholders (individually or jointly) nor Inventory (i) own, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any other corporation engaged in the same or similar business to that business engaged in by Inventory at the Effective Time (other than not more than one percent (1%) of the publicly-traded capital stock of corporations engaged in such business held solely for investment purposes); (ii) have any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity engaged in the same or similar business to that business engaged in by Inventory at the Effective Time; and (iii) have any obligation, direct or indirect, present or contingent, (A) to purchase or subscribe for any interest in, advance or loan monies to, or in any way make

investments in, any other person or entity engaged in the same or similar business to that business engaged in by Inventory at the Effective Time, or (B) to share any profits or capital investments or both from a entity engaged in the same or similar business to that business engaged in by Inventory at the Effective Time.

2.5. Authority. The execution and delivery by Inventory of this Agreement and of all of the agreements to be executed and delivered by Inventory pursuant hereto (collectively, the "Inventory Documents"), the performance by Inventory of its 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 Inventory (including, but not limited to, the unanimous consents of the Board of Directors of Inventory and of the Shareholders) and Inventory has all necessary corporate power and corporate authority with respect thereto. The Shareholders are individuals having all necessary capacity, power and authority to execute and deliver this Agreement and such other agreements to be executed and delivered by either of them pursuant hereto (collectively, the "Shareholder Documents") and to consummate the transaction consummated hereby and thereby. This Agreement is, and when executed and delivered by Inventory and the Shareholders, each of the other agreements to be delivered by either or both of them pursuant hereto will be, the valid and binding obligations of Inventory and the Shareholders, to the extent they are parties thereto, in accordance with their

respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and subject to the rules of law governing (and all limitations on) specific performance, injunctive relief, and other equitable remedies.

2.6. Noncontravention. Except as set forth on Schedule 2.6, neither the execution and delivery by Inventory or the Shareholders of this Agreement or of any other Inventory Documents or Shareholder Documents to be executed and delivered by either or both of them, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by either or both of them of any of their respective obligations 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, ByLaws or other constituent documents of Inventory, each as amended to date, 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 any of them, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which either or both of them is a party or by which either or both of them or any of their respective assets may be bound, 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 either or both of them, or (d) result in the creation or imposition of any lien, adverse claim, restriction, charge or encumbrance upon any of the assets of Inventory (the "Assets"), or (e) interfere with or otherwise adversely affect the ability of Subsidiary to carry on the Business after the Effective Date on substantially the same basis as is now conducted by Inventory.

2.7. Financial Statements. Inventory has heretofore delivered to each of TTIS and Subsidiary (a) its financial statements consisting of the unaudited balance sheets for the years ended October 31, 1995 and 1996, and the related statements of income, stockholders' equity and cash flows for the two years then ended, which have been compiled by Gregg & Bailey, P.C., independent certified public accountants, and (b) its unaudited balance sheet at May 31, 1997 (the "Balance Sheet") statements of income, stockholders' equity and cash flows for the seven months ended May 31, 1997 (collectively, the "Inventory Financial Statements"). The Inventory Financial Statements were prepared in accordance with generally accepted accounting principals ("GAAP"), consistently applied, and present fairly the financial position of Inventory as at the dates thereof and the results of operations for the periods and the cash flow indicated. The books and records of Inventory are complete and correct, have been maintained in accordance with good business practices, and accurately reflect the basis for the financial condition, results of operations and cash flow of Inventory as set forth in the Inventory Financial Statements.

2.8. Guaranties. Schedule 2.8 hereto is a complete and accurate list and summary description of all written guaranties currently in effect heretofore issued by the Shareholders to any bank or other lender in connection with any credit facilities extended by such creditors to Inventory (collectively, the "Guaranties"), including the name of such creditor and the amount of the indebtedness, together with any interest and fees currently owing and expected to be outstanding as of the Effective Time.

2.9. Absence of Undisclosed Liabilities. Inventory has no liabilities or obligations of any nature whatsoever, whether accrued, matured, unmatured, absolute, contingent, direct or indirect or otherwise, which have not been (a) in the case of liabilities and obligations of a type customarily reflected on a corporate balance sheet, prepared in accordance with GAAP, set forth on the Balance Sheet, or (b) incurred in the ordinary course of business since May 31, 1997, or (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, or arising under contracts or leases listed in such Schedules or other contracts or leases which are omitted from such Schedules in accordance with the terms of this Agreement, or (d) incurred, consistent with past practice, in the ordinary course of business of Inventory (in the case of liabilities and obligations of the type referred to in clause (a) above).

2.10. Properties. Except as set forth on Schedule 2.10, Inventory has marketable title to all of the properties and assets, reflected on the Balance Sheet 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 (including liens for current Taxes, as defined in Subsection 2.16(c) hereof), pledges, claims, charges and encumbrances of any nature whatsoever (hereinafter collectively, "Liens"), other than Liens set forth in Schedule 2.10 not yet due and payable or being contested in good faith by appropriate proceedings, and other than such Liens or imperfections of title, if any, which are not material in character, amount or extent and do not materially interfere with the present or continued use of such property or otherwise materially adversely affect the value or transferability thereof or otherwise materially impair the Business or operations of Inventory as conducted on the date hereof. All plants, structures and equipment which are utilized in the Business, or are material to the condition (financial or otherwise) of Inventory are owned or leased by Inventory and are in good operating condition and repair (ordinary wear and tear excepted), and are adequate and suitable for the purposes for which they are used. Schedule 2.10 sets forth all (a) real property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by Inventory, or which is subject to a title retention or conditional sales agreement or other security

device, and (b) tangible personal property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by Inventory.

2.11. Accounts Receivable; Inventories. The accounts and notes receivable which are reflected on the Balance Sheet are good and collectible in the ordinary course of business at the aggregate recorded amounts thereof, less the respective amount of the allowances for doubtful accounts and notes receivable, if any, reflected thereon, and are not subject to offsets other than in the ordinary course of business. The accounts and notes receivable of Inventory which were added after May 31, 1997, are good and collectible in the ordinary course of business, less the amount of the allowance(s) for doubtful accounts and notes receivable, if any, reflected thereon (which allowances were established on a basis consistent with prior practice), and are not subject to offsets other than in the ordinary course of business. The inventories reflected on the Balance Sheet and thereafter added 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, all of which have been written down to net realizable value or adequately reserved against on the books and records of Inventory. All inventories are stated at the lower of cost or market in accordance with generally accepted accounting principles.

2.12. Absence of Changes. Since May 31, 1997, there have not been (a) any adverse change (other than as is normal in the ordinary course of business, e.g., inventory level changes) in the condition (financial or otherwise), assets, liabilities, business, prospects, results of operations or cash flows of Inventory (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (b) any waivers by Inventory of any right, or cancellation of any debt or claim, of material value, (c) any declarations, set asides or payments of any dividend or other distributions or payments in respect of the Inventory Common Stock, or (d) any changes in the accounting principles or methods which are utilized by Inventory.

2.13. Litigation. Except as set forth in Schedule 2.13, there are no claims, suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best knowledge of Inventory and the Shareholders, threatened, against or relating to Inventory or the Shareholders, the transactions contemplated hereby or any of the Assets. There are no judgments, orders, stipulations, injunctions, decrees or awards in effect which relate to Inventory, this Agreement, the transactions contemplated, the Business or any of the Assets, the effect of which is (a) to limit, restrict, regulate, enjoin or prohibit any business practice of Inventory in any area, or the acquisition by Inventory of any properties, assets or businesses, or (b)

otherwise materially adverse to the Business or any of the Assets.

2.14. No Violation of Law. Inventory is not engaging in any activity or omitting to take any action as a result of which it is 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 Inventory, the Business or any of the Assets, including, but not limited to, those relating to: occupational safety and health matters; issues of 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); business practices and operations; labor practices; employee benefits; and zoning and other land use laws and regulations.

2.15. Intangibles/Inventions. Schedule 2.15 identifies (by a summary description) the Intangibles (as defined below) the ownership thereof and, if applicable, Inventory's authority for use of the same, which Schedule is complete and correct and encompasses: (A) all United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part, licensed, or used by Inventory, and all applications therefor (collectively, the "Marks"), (B) all inventions,

discoveries, improvements, processes, formulae, technology, know-how, processes and other intellectual property, proprietary rights and trade secrets relating to the Business (collectively, the "Inventions") and (C) all licenses and other agreements to which Inventory is a party or otherwise bound which relate to any of the Intangibles or the Inventions or Inventory's use thereof in connection with the Business (collectively, the "Licenses, and together with the Marks and the Inventions, the "Intangibles"). No violations of the terms of any of the aforesaid licenses and/or agreements have occurred. Except as disclosed on Schedule 2.15, (A) Inventory owns or is authorized to use in connection with the Business all of the Intangibles; (B) no proceedings have been instituted, are pending, or to the best knowledge of the Shareholders, are threatened which challenge the rights of Inventory with respect to the Intangibles or their use thereof in connection with the Business and/or the Assets or the validity thereof and, there is no valid basis for any such proceedings; (C) neither Inventory's ownership of the Intangibles nor their use thereof in connection with the Business and/or the Assets violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; (D) none of the Intangibles, or Inventory's use thereof in connection with the Business and/or the Assets is subject to any outstanding order, decree, judgment, stipulation or any lien, security interest or other encumbrance; and (E) Inventory has not granted any license to third parties with regard to its Intangibles.

2.16. Tax Matters.

(a) Inventory 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 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 are set forth on the Balance Sheet are adequate for all accrued and unpaid taxes of Inventory as of May 31, 1997, whether (i) incurred in respect of or measured by income of Inventory for any periods prior to the close of business on that date, or (ii) arising out of transactions entered into, or any state of facts existing, on or prior to such date. Inventory has duly withheld all payroll taxes, FICA and other federal, state and local taxes and other items requiring to be withheld by it from employee wages, and has duly deposited the same in trust for or paid over to the proper taxing authorities. Inventory 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 the Shareholders, 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 Inventory have not been examined by the Internal Revenue Service ("the IRS"), nor has the State of Virginia or any taxing authority thereof examined any merchandize, personal property, sales or use tax returns of Inventory.

(b) Except for adjustments to the income tax returns of the Shareholders with respect to income derived from or attributable to the business of Inventory, as set forth in Schedule 2.16 (the "Tax Adjustments"), which shall be the sole responsibility of the Shareholders, Inventory (i) has not agreed to or been required to make any adjustment pursuant to Section 481(a) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) has no knowledge that the IRS or any other taxing authority has proposed any such adjustment or change in accounting method, and (iii) has no application pending with any governmental authority requesting permission for any change in accounting method.

(c) As used herein, the term "Taxes" 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.

2.17. Insurance. Schedule 2.17 is a complete and correct list and summary description of all contracts and policies of insurance relating to any of the Assets, the Business or the Shareholders in which Inventory or any creditor is an insured party, beneficiary or loss payable payee. Such policies are in full force and effect, all premiums due and payable with

respect thereto have been paid, and no notice of cancellation or termination has been received by Inventory with respect to any such policy.

2.18. Banks; Powers of Attorney. Schedule 2.18 is a complete and correct list showing (a) the names of each bank in which Inventory 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 Inventory.

2.19. Employee Arrangements. Schedule 2.19 is a complete and correct list and summary description of all (a) union, collective bargaining, employment, management, termination and consulting agreements to which any of Inventory is a party or otherwise bound, and (b) compensation plans and arrangements; bonus and incentive plans and arrangements; deferred compensation plans and arrangements; pension and retirement plans and arrangements; profit-sharing and thrift plans and arrangements; stock purchase and stock option plans and arrangements; hospitalization and other life, health or disability insurance or reimbursement programs; holiday, sick leave, severance, vacation, tuition reimbursement, personal loan and product purchase discount policies and arrangements; and other plans or arrangements providing for benefits for employees of Inventory. Said Schedule also lists the names and compensation of all employees of Inventory whose earnings during the last fiscal year were $25,000 or more (including bonuses and other incentive

compensation), and all employees who are expected to receive at least said amount in respect of the current fiscal year.

2.20. ERISA.

(a) Plans. Schedule 2.20 lists Inventory's "employee pension benefit plan" ("Inventory Pension Plan"), as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Inventory's "welfare benefit plan" (collectively called "Inventory Welfare Plans") as such term is defined in Section 3(1) of ERISA, which is maintained by Inventory or to which they contribute or are obligated or required to contribute. The Inventory Pension Plans and Inventory Welfare Plans are hereinafter sometimes collectively referred to as the "Plans" and severally referred to as a "Plan".

(b) Qualification. Each Inventory Pension Plan and the trust (if any) forming a part thereof has been determined by the IRS to be qualified under Section 401(a) of the Code, and is exempt from taxation under Section 501(a) of the Code, and nothing has occurred since the date of such determination which would adversely affect such qualification.

(c) Plan Documents. Inventory has heretofore delivered to TTIS and Subsidiary, true, complete and correct copies of (i) the Plans, and all related trust agreements, (ii) all written interpretations and summary plan descriptions relating thereto, (iii) the two most recent annual reports (Form 5500 Series) and accompanying schedules which were prepared in connection with each Plan, (iii) all IRS

determination letters relating to the Plans, and (iv) the two most recent actuarial evaluation reports which were prepared in connection with any of the Plans.

(d) No Prohibited Transactions. Neither Inventory, nor any of the Plans, nor any trust created thereunder, nor any trustee or administrator thereof, have engaged in a transaction which would subject Inventory or any of the Plans to the tax on prohibited transactions imposed by Section 4975 of the Code or to a civil penalty assessed pursuant to Section 502(i) of ERISA.

(e) No Accumulated Funding Deficiency. None of the Inventory's Pension Plans has incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived.

(f) Termination, etc. Inventory has not incurred, and are not expected to incur, directly or indirectly, any liability to the Pension Benefit Guaranty Corporation (the "PBGC") with respect to the Inventory Pension Plan. The PBGC has not instituted proceedings to terminate the Inventory Pension Plan, nor has it notified Inventory, either formally or informally, of its intention to institute any such proceedings.

(g) Reportable Events. There have not been, with respect to any of the Plans, any "reportable events", as such term is defined in Section 4043(b) of ERISA.

(h) Multiemployer Plans. Inventory has not ever maintained or contributed to, or been obligated or required

to contribute to, a "multiemployer plan", as such term is defined in Section 3(37) of ERISA.

(i) Contributions; Benefits. Inventory has paid in full all amounts which were required to have been paid by them on or prior to the date hereof as contributions to the Inventory Pension Plans. The current value of all accrued benefits under Inventory Pension Plans did not, as of the latest valuation date thereof, exceed the then current value of the assets of such Inventory Pension Plan allocable to such accrued benefits, based upon the actuarial assumptions then being utilized with respect thereto.

(j) Claims. There is not pending, and to the best of the knowledge of Inventory or the Shareholders, there is not threatened, any claims against any of the Plans or any fiduciary thereof (other than claims for benefits made in the ordinary course).

2.21. Systems and Software. Inventory and its subsidiaries owns or has the right to use pursuant to lease, license, sublicense, agreement, or permission all computer hardware, software and information systems necessary for the operation of the businesses of Inventory and its subsidiaries as presently conducted (collectively, "Systems"). Each System owned or used by Inventory or its subsidiaries immediately prior to the Effective Time will be owned or available for use by TTIS, the Subsidiary or their respective affiliates on identical terms and conditions immediately subsequent to the Effective Time. With respect to each System owned by a third party and used by

Inventory or its subsidiaries pursuant to lease, license, sublicense, agreement or permission: (a) the lease, license, sublicense, agreement or permission covering the System is legal, valid, binding, enforceable, and in full force and effect; (b) the lease, license, sublicense, agreement or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the Effective Time; (c) no party to any such lease, license, sublicense, agreement or permission is in breach or default, and no event has occurred which with notice or lapse of time would constitute a breach or default, and permit termination, modification or acceleration thereunder; (d) no party to any such lease, license, sublicense, agreement or permission has repudiated any provision thereof; (e) neither Inventory nor its subsidiaries have granted any sublicense, sublease or similar right with respect to any such lease, license, sublicense, agreement or permission; (f) Subsidiary and its affiliates use and continued use of such Systems will not interfere with, infringe upon, misappropriate, or otherwise come into conflict with, any intellectual property rights of third parties as a result of the continued operation of its business as presently conducted. Schedule 2.21 is a complete and correct list and summary description of all Systems.

2.22. Environmental Matters. Inventory and each of its subsidiaries has obtained and is in compliance with the terms and conditions of all required permits, licenses, registrations and other authorizations required under Environmental Laws (as hereinafter defined). No asbestos in a

friable condition, equipment containing polychlorinated biphenyls, leaking underground or above-ground storage tanks are contained in or located at any facility currently, or was contained or located at any facility previously owned, leased or controlled by Inventory or any of its subsidiaries. Inventory has not released, discharged or disposed of on, under or about any facility currently or previously owned, leased or controlled by the Company or any of its subsidiaries, any Hazardous Substance (as hereinafter defined), and to the best of Inventory's knowledge, no third party has released, discharged or disposed of on, under or about any facility currently or previously owned, leased or controlled by Inventory or any of its subsidiaries, and Hazardous Substances (as hereinafter defined). Inventory and each of its subsidiaries is in compliance with all applicable Environmental Laws. Inventory has fully disclosed to TTIS all past and present noncompliance with, or liability under, Environmental Laws, and all past discharges, emissions, leaks, releases or disposals by it of any substance or waste regulated under or defined by Environmental Laws that have formed or could reasonably be expected to form the basis of any claim, action, suit, proceeding, hearing or investigation under any applicable Environmental Laws. Neither Inventory nor any of its subsidiaries has received notice of any past or present events, conditions, circumstances, activities, practices, incidents, actions or plans of Inventory or its subsidiaries that have resulted in or threaten to result in any common law or legal liability, or otherwise form the basis of any claim, action,

suit, proceeding, hearing or investigation under, any applicable Environmental Laws. For purposes of this Section 2.22, (a) "Environmental Laws: mean applicable federal, state, local and foreign laws, regulations and codes relating in any respect to pollution or protection of the environment and (b) "Hazardous Substances" means any toxic, caustic or otherwise dangerous substance (whether or not regulated under federal, state or local environmental statutes, rules, ordinances, or orders), including (i) "hazardous substance" as defined in 42 U.S.C. Section 9601, and (ii) petroleum products, derivatives, byproducts and other hydrocarbons.

2.23. Certain Business Matters. Except as is set forth in Schedule 2.23, (a) Inventory is not a party to or bound by any distributorship, dealership, sales agency, franchise or similar agreement which relates to the sale or distribution of any of the products and services of the Business, (b) Inventory has no sole-source supplier of significant goods or services (other than utilities) with respect to which practical alternative sources are not available on comparable terms and conditions, (c) there are no pending or, to the best knowledge of the Shareholders, threatened labor negotiations, work stoppages or work slowdowns involving or affecting the Business, and no union representation questions exist, and there are no organizing activities, in respect of any of the employees of Inventory, (d) the product and service warranties given by Inventory or by which it is bound (complete and correct copies or descriptions of which have heretofore been delivered by Inventory to TTIS) entail no

greater obligations than are customary in the Business, (e) neither Inventory nor the Shareholders is a party to or bound by any agreement which limits its or his, as the case may be, freedom to compete in any line of business or with any person, or which is otherwise materially burdensome to Inventory or the Shareholders, and (f) Inventory is not a party to or bound by any agreement in which any officer, director or stockholder of Inventory (or any affiliate of any such person) has, or had when made, a direct or indirect material interest.

2.24. Certain Contracts. Schedule 2.24 is a complete and correct list of all material contracts, commitments, obligations and understandings which are not set forth in any other Schedule delivered hereunder and to which Inventory is a party or otherwise bound, except for (a) purchase orders from vendors or customers and (b) each of those which (i) were made in the ordinary course of business and (ii) either (A) are terminable by Inventory (and will be terminable by Subsidiary) without liability, expense or other obligation on 30 days' notice or less, or (B) may be anticipated to involve aggregate payments to or by Inventory of $5,000 (or the equivalent) or less calculated over the full term thereof, and (C) are not otherwise material to the Business or Inventory. Complete and correct copies of all contracts, commitments, obligations and undertakings set forth on any of the Schedules delivered pursuant to this Agreement have been furnished by Inventory to TTIS. Except as expressly stated on any of such Schedules, (1) each of agreements listed on Schedule 2.24 is in full force and effect,

no person or entity which is a party thereto or otherwise bound thereby is in material default thereunder, and no event, occurrence, condition or act exists which does (or which with the giving of notice or the lapse of time or both would) give rise to a material default or right of cancellation, acceleration or loss of contractual benefits thereunder; (2) there has been no threatened cancellations thereof, and there are no outstanding disputes thereunder; (3) none of them is materially burdensome to Inventory; and (4) each of them is fully assignable without the consent, approval, order or any waiver by, or any other action of or with any individual or individuals, without the payment of any penalty, the incurrence of any additional debt, liability or obligation of any nature whatsoever or the change of any term.

2.25. Customers and Suppliers. Inventory has previously provided to TTIS a complete and correct list setting forth, for the twelve months ended October 31, 1996 and the seven months ended May 31, 1997, (a) the 20 largest customers of the Business and the amount for which each such customer was invoiced, and (b) the 20 largest suppliers of the Business and the amount of goods and services purchased from each such supplier. There are no (i) threatened cancellations by the aforesaid customers or suppliers with respect to the Business, (ii) outstanding disputes by such customers or suppliers with Inventory and the Business, or (iii) any adverse changes in the business relationship between the Business and any such customer or supplier. The aforesaid suppliers and customers will continue

their respective relationships with the Business after the Closing Date on substantially the same basis as now exists.

2.26. Business Practices and Commitments. Set forth on Schedule 2.26 is a description of (a) Inventory's rebate and volume discount practice, and obligations, (b) Inventory's allowance and customer return practice and obligations, (c) Inventory's co-op advertising and other promotional practices, (d) Inventory's warranty practices and obligations, (e) price protection agreements, and (f) return policies and historical return rates, as each of the foregoing relate to Inventory's customers and suppliers.

2.27. Approvals/Consents. Except as set forth on Schedule 2.27, Inventory currently holds all governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises which are necessary for the operation of the Business, all of which are in full force and effect and are transferable to Subsidiary without the payment of any penalty, the incurrence of any additional debt, liability or obligation of any nature whatsoever or the change of any term. Schedule 2.27 is a complete and correct list of all such governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises. No material violations of the terms thereof have heretofore occurred or are known by the Shareholders to exist as of the date of this Agreement.

2.28. Information as to Inventory. None of the representations or warranties made by the Shareholders in this

Agreement is, or contained in any of the Inventory Documents to be executed and delivered hereto will be, false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein contained not misleading.

2.29. Poolability. Except as set forth on Schedule 2.29:

(a) None of Inventory nor the Shareholders own or will have, since the date two years prior to the Effective Date, owned any shares of TTIS Common Stock, nor shall Inventory have been a subsidiary or a division of another entity since the date two years prior to the Closing date.

(b) Inventory has no equity investments or rights to purchase equity investments of any kind in TTIS other than as pursuant to this Agreement and the other agreements referenced herein; and

(c) Inventory has not disposed of a significant amount of assets other than in the ordinary course of business since the date two years prior to the Closing Date.

The equity transactions and the capital stock transactions for Inventory and for each Shareholder since the date two years prior to the date hereof Closing Date are set forth on Schedule 2.29.

2.30. Securities Act Representation. Each Shareholder is acquiring the TTIS Common Stock solely for investment purposes, with no intention of distributing or reselling any such stock or any interest therein. Each

Shareholder is aware that the TTIS Common Stock will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and that neither the TTIS Common Stock nor any interest therein may be sold, pledged, or otherwise transferred unless the TTIS Common Stock is registered under the Securities Act or qualifies for an exemption under the Securities Act.

3. Representations and Warranties as to TTIS and Subsidiary. TTIS and Subsidiary, jointly and severally, represent and warrant to Inventory and the Shareholders as follows:

3.1. Organization, Standing and Power. Each of TTIS and Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and corporate authority to (i) own, lease and operate its properties, (ii) carry on its business as currently conducted by it and (iii) execute and deliver, and perform under this Agreement and each other agreement and instrument to be executed and delivered by it pursuant hereto. Except as set forth on Schedule 3.1, there are no states or jurisdictions in which the character and location of any of the properties owned or leased by TTIS or Subsidiary, or the conduct of their business makes it necessary for either of them to qualify to do business as a foreign corporation, where the failure to so qualify would have a material adverse effect on the business, operations or financial condition of TTIS or Subsidiary. True and complete copies of the Certificates of Incorporation of TTIS and of Subsidiary, and of the By-Laws of

TTIS and of Subsidiary, as amended to date, have heretofore been furnished to Inventory. The minute books of TTIS and of Subsidiary contain complete and accurate records of all meetings and other corporate actions of their respective stockholders and Board of Directors (including committees of its Boards of Directors).

3.2. Interests in Other Entities. Schedule 3.2 sets forth a true and complete list of all direct or indirect subsidiaries of TTIS (other than the Subsidiary) that are material to the financial condition of TTIS and it subsidiaries, together with the jurisdiction of incorporation of each such subsidiary and the percentage of each such subsidiary's outstanding capital stock owned by TTIS or another of TTIS's subsidiaries. Each of such subsidiaries are duly organized corporations, validly existing and in good standing under the laws of the jurisdiction of its respective incorporation (as well as all applicable foreign jurisdictions necessary to its business operations) and have the requisite corporate power and authority and governmental authority to own, operate or lease the properties that each purports to own, operate or lease and to carry on its business as it is now being conducted.

3.3. Capitalization. (a) The authorized capital stock of TTIS consists of 15,000,000 shares of TTIS Common Stock and 5,000,317 shares of Preferred Stock, par value $.01 per share (of which 317 shares of Series A Preferred Stock, $1.00 par value per share, are outstanding). As of the date hereof, (i) 7,847,455 shares of TTIS Common Stock are issued and outstanding,

all of which are duly authorized, validly issued, fully paid and nonassessable, (ii) 1,100,311 shares of TTIS Common Stock are issuable upon exercise of options and (iii) 2,337,234 shares of TTIS Common Stock are reserved for future issuance upon exercise of outstanding common stock purchase warrants. There is no personal liability, and there are no preemptive rights with regard to the capital stock of TTIS, and no right-of-first refusal or similar rights with regard to such capital stock. All of the shares of TTIS Common Stock issuable in connection with the Merger will be offered, issued and sold by TTIS in full compliance with applicable federal and state securities laws.

(b) The outstanding shares of capital stock of each of the subsidiaries of TTIS, including Subsidiary, are duly authorized, validly issued, fully paid and nonassessable, and, except as set forth in the SEC Reports (defined in Subsection 3.8 hereof) or on Schedule 3.3, such shares are owned by TTIS, directly or indirectly, free and clear of all security interests, liens, adverse claims, pledges, agreements, limitations on TTIS's voting rights, charges and other encumbrances of any nature whatsoever. Except as noted in the SEC Reports (defined in Subsection 3.8 hereof) or on Schedule 3.3, TTIS owns all issued and outstanding shares of capital stock of each Subsidiary and there are no options, warrants or similar right outstanding with respect to shares of capital stock of any subsidiary.

3.4. Authority. The execution and delivery by TTIS and Subsidiary of this Agreement and of each agreement to be

executed and delivered by either of them pursuant hereto (collectively, the "TTIS Documents"), the performance by each of them of its 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 TTIS and Subsidiary, and TTIS and Subsidiary have all necessary corporate power and corporate authority with respect thereto. This Agreement is, and when executed and delivered by TTIS and Subsidiary each other TTIS Document will be, the valid and binding obligation of TTIS or Subsidiary, as the case may be to the extent it is a party thereto, in accordance with the respective terms, thereof, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and subject to the rules of law governing (and all limitations on) specific performance, injunctive relief, and other equitable remedies.

3.5. Noncontravention. Except as set forth on Schedule 3.5, neither the execution and delivery by TTIS or Subsidiary of any TTIS Document, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by either of them of any of its respective obligations 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 Certificates of Incorporation or By-Laws of either TTIS or Subsidiary, 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, either of them, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which either of them is a party or by which either of them or their respective assets may be bound, 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 either of them, or (d) result in the creation or imposition of any lien, adverse claim, restriction, charge or encumbrance upon any of their assets, or (e) interfere with or otherwise adversely affect the ability of TTIS or Subsidiary to carry on its business on substantially the same basis as is now conducted by it.

3.6. Absence of Litigation. Except as may be disclosed in the SEC Reports (defined in Subsection 3.8 hereof) or as set forth in Schedule 3.6 hereof, there are no claims, actions, suits, proceedings or investigations pending or, to the knowledge of TTIS and Subsidiary, threatened against or relating to TTIS, Subsidiary, this Agreement, the transactions contemplated hereby, or any properties or assets of TTIS or Subsidiary. Neither TTIS nor any of its subsidiaries (including the Subsidiary), nor any of their respective properties is subject to any order, writ, judgment, injunction, decree, determination or award which, if enforced, would have a material adverse effect on the business, the results of the operations,

cash flows or financial condition of TTIS separately or of TTIS and its subsidiaries taken as a whole.

3.7. ERISA.

(a) Plans. Schedule 3.7 lists TTIS's "employee pension benefit plan" ("TTIS Pension Plan"), as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and TTIS's "welfare benefit plan" (collectively called "TTIS Welfare Plans") as such term is defined in Section 3(1) of ERISA, which is maintained by TTIS or to which they contribute or be obligated or required to contribute. The TTIS Pension Plans and TTIS Welfare Plans are hereinafter sometimes collectively referred to as the "Plans" and severally referred to as a "Plan".

(b) Qualification. Each TTIS Pension Plan and the trust (if any) forming a part thereof has been determined by the IRS to be qualified under Section 401(a) of the Code, and is exempt from taxation under Section 501(a) of the Code, and nothing has occurred since the date of such determination which would adversely affect such qualification.

(c) Plan Documents. Inventory has heretofore delivered to Inventory and to the Shareholders, true, complete and correct copies of (i) the Plans, and all related trust agreements, (ii) all written interpretations and summary plan descriptions relating thereto, (iii) the two most recent annual reports (Form 5500 Series) and accompanying schedules which were prepared in connection with each Plan, (iii) all IRS determination letters relating to the Plans, and (iv) the two

most recent actuarial evaluation reports which were prepared in connection with any of the Plans.

(d) No Prohibited Transactions. Neither TTIS, nor any of the Plans, nor any trust created thereunder, nor any trustee or administrator thereof, have engaged in a transaction which would subject TTIS or any of the Plans to the tax on prohibited transactions imposed by Section 4975 of the Code or to a civil penalty assessed pursuant to Section 502(i) of ERISA.

(e) No Accumulated Funding Deficiency. None of the TTIS's Pension Plans has incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived.

(f) Termination, etc. TTIS has not incurred, and is not expected to incur, directly or indirectly, any liability to the Pension Benefit Guaranty Corporation (the "PBGC") with respect to the TTIS Pension Plan. The PBGC has not instituted proceedings to terminate the TTIS Pension Plan, nor has it notified TTIS, either formally or informally, of its intention to institute any such proceedings.

(g) Reportable Events. There have not been, with respect to any of the Plans, any "reportable events", as such term is defined in Section 4043(b) of ERISA.

(h) Multiemployer Plans. TTIS has not ever maintained or contributed to, or been obligated or required to contribute to, a "multiemployer plan", as such term is defined in Section 3(37) of ERISA.

(i) Contributions; Benefits. TTIS has paid in full all amounts which were required to have been paid by them on or prior to the date hereof as contributions to the TTIS Pension Plans. The current value of all accrued benefits under TTIS Pension Plans did not, as of the latest valuation date thereof, exceed the then current value of the assets of such TTIS Pension Plan allocable to such accrued benefits, based upon the actuarial assumptions then being utilized with respect thereto.

(j) Claims. There is not pending, and to the best of the knowledge of TTIS or the Subsidiary, there is not threatened, any claims against any of the Plans or any fiduciary thereof (other than claims for benefits made in the ordinary course).

3.8. Securities and Exchange Commission Filings; Financial Statements.

(a) TTIS has filed all forms, reports, statements and documents required to be filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"), each of which has complied in form in all material respects with the applicable requirements of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, each as in effect on the date so filed. TTIS has delivered to Inventory, in the form filed with the SEC (including any amendments thereto), its Registration Statement on Form SB-2, effective April 14, 1997, and its Quarterly Report on Form 10-QSB for the quarter ended April 30, 1997. None of such reports (including but not limited to any financial statements or

schedules included or incorporated by reference therein) filed by TTIS, when filed (except to the extent revised or superseded by a subsequent filing with the SEC) contained any untrue statement of a material fact.

(b) Each of the consolidated financial statements contained in the SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may otherwise be indicated in the notes thereto) and each presents fairly, in all material respects, the consolidated financial position of TTIS and its subsidiaries as at the respective dates thereof and the consolidated results of its operations and cash flow position for the periods indicated.

(c) Except as and to the extent set forth on the balance sheet of TTIS and its subsidiaries as at May 31, 1997, including the notes thereto, and TTIS and its subsidiaries taken as a whole, do not have any liabilities or obligations, whether or not accrued, contingent or otherwise, that would be required to be included on a balance sheet prepared in accordance with GAAP, except for liabilities or obligations incurred in the ordinary course of business since May 31, 1997, none of which would, individually or in the aggregate, have a material adverse effect on the financial condition, or results of the operations or cash flows of TTIS and its subsidiaries, on a consolidated basis.

3.9. Stock Issuable in Merger. The Share Consideration, when issued, will be duly authorized and validly

issued, fully paid and non-assessable, will be delivered hereunder free and clear of any liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, except that the shares of TTIS Common Stock constituting the Share Consideration will be "restricted securities", as such term is defined in the rules and regulations of the SEC promulgated under the Securities Act, and will be subject to restrictions on transfers pursuant to such rules and regulations.

3.10. Properties. Except as set forth on Schedule 3.10, TTIS and the Subsidiary have good title to all of the properties and assets, reflected on their balance sheets 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 Liens, other than Liens not yet due and payable or being contested in good faith by appropriate proceedings, and other than such Liens or imperfections of title, if any, which are not substantial in character, amount or extent and do not materially interfere with the present or continued use of such property or otherwise materially adversely affect the value or transferability thereof or otherwise materially impair the business operations of TTIS as conducted on the date hereof. All plants, structures and equipment which are utilized in the business operations of TTIS, or are material to the condition (financial or otherwise) of TTIS, are owned or leased by TTIS, are in good operating condition and repair (ordinary wear and

tear excepted) and are adequate and suitable for the purposes for which they are used.

3.11. Absence of Changes. Since May 31, 1997, there have not been (a) any material adverse change (other than as is normal in the ordinary course of business, e.g., inventory level changes) in the condition (financial or otherwise), assets, liabilities, business, prospects, results of operations or cash flows of TTIS and Subsidiary (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (b) any waivers by TTIS of any right, or cancellation of any debt or claim, of substantial value, (c) any declarations, set asides or payments of any dividend or other distributions or payments in respect of the TTIS Common Stock, or (d) any changes in the accounting principles or methods which are utilized by TTIS or Subsidiary.

3.12. No Violation of Law. Neither TTIS nor Subsidiary is engaging in any activity or omitting to take any action as a result of which it is 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 either TTIS or Subsidiary, their respective business operations or any of their respective assets, including, but not limited to, those relating to: occupational safety and health matters; issues of 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); business practices and operations; labor practices; employee benefits; and zoning and other land use laws and regulations.

3.13. Intangibles/Inventions. Schedule 3.13 identifies (by a summary description) the TTIS Intangibles (as defined below) the ownership thereof and, if applicable, TTIS's and Subsidiary's authority for use of the same, which Schedule is complete and correct and encompasses: (A) all United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part or used by TTIS, and all applications therefor (collectively, the "Marks"), (B) all inventions, discoveries, improvements, processes, formulae, technology, know-how, processes and other intellectual property, proprietary rights and trade secrets relating to the business of TTIS (collectively, the "Rights") and (C) all licenses and other agreements to which TTIS is a party or otherwise bound which relate to any of the Intangibles or the Rights or TTIS's use thereof in connection with its business (collectively, the "TTIS Licenses, and together with the Marks and the Rights, the "TTIS Intangibles"). No violations of the terms of any of the aforesaid licenses and/or agreements have occurred. Except as disclosed in the SEC Reports or on Schedule 3.13, (A) TTIS owns or is authorized to use in connection with the Business all of

the TTIS Intangibles; (B) no proceedings have been instituted, are pending, or to the best knowledge of TTIS, are threatened which challenge the rights of TTIS with respect to the TTIS Intangibles or their use thereof in connection with the business of TTIS or the validity thereof and, there is no valid basis for any such proceedings; (C) neither TTIS's ownership of the TTIS Intangibles nor their use thereof by TTIS violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; (D) none of the TTIS Intangibles, or TTIS's use thereof is subject to any outstanding order, decree, judgment, stipulation or any lien, security interest or other encumbrance; and (E) TTIS has not granted any license to third parties with respect thereto.

3.14. Tax Matters.

(a) TTIS 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 made adequate provision for the payment of, Taxes shown to be due or claimed to be due on such tax returns and reports. The provisions for Taxes which are set forth on its balance sheets are adequate for all accrued and unpaid taxes of TTIS as of May 31, 1997, whether (i) incurred in respect of or measured by income of TTIS for any periods prior to the close of business on that date, or (ii) arising out of transactions entered into, or any state of facts existing, on or prior to such date. TTIS 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. TTIS 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 TTIS, 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 TTIS have not been examined by the IRS, nor has the State of Delaware or any taxing authority thereof examined any merchandize, personal property, sales or use tax returns of TTIS.

(b) TTIS (i) has not agreed to or been required to make any adjustment pursuant to Section 481(a) of the Code, (ii) has no knowledge that the IRS or any other taxing authority has proposed any such adjustment or change in accounting method, and (iii) has no application pending with any governmental authority requesting permission for any change in accounting method.

3.15. Approvals/Consents. Except as set forth on Schedule 3.15, TTIS currently holds all governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises which are necessary for the operation of its business. Schedule 3.15 is a complete and correct list of all such governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises. No material violations of the terms

thereof have heretofore occurred or are known by TTIS to exist as of the date of this Agreement.

3.16. Information as to TTIS and Subsidiary. None of the representations or warranties made by TTIS or Subsidiary in this Agreement, or contained in any of the TTIS Documents, to be executed and delivered hereto, is or will be, false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein contained not misleading.

4. Indemnification.

4.1. Indemnification by the Shareholders. Each of Inventory and the Shareholders, jointly and severally, hereby indemnifies and agrees to defend and hold harmless each of TTIS and Subsidiary from and against any and all losses, obligations, deficiencies, liabilities, claims, 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 any misrepresentation of a material fact contained in any representation of Inventory and/or the Shareholders contained in, or the breach by Inventory, or the Shareholders of any warranty or covenant made by any one or all of them in, any Inventory Document and/or the Shareholders Document, including without limitation any and all losses, obligations, deficiencies,

limitations, claims, damages, costs and expenses which TTIS or the Subsidiary may sustain, suffer or incur and which arise out of, or caused by, relate to, or result from or in connection with any claims brought by the United States Internal Revenue Service or applicable state taxing authority pertaining to income tax returns filed by the Shareholders with respect to income of Inventory for all periods prior to Closing. The foregoing indemnification shall also apply to direct claims by TTIS and/or Subsidiary against the Shareholders.

4.2. Indemnification by TTIS and Subsidiary. Each of TTIS and Subsidiary, jointly and severally, indemnifies and agrees to defend and hold harmless each of Inventory (before the Effective Time) and the Shareholders from and against any and all losses, obligations, deficiencies, liabilities, claims, 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 misrepresentation of a material fact contained in any representation of TTIS and/or Subsidiary contained in, or the breach by TTIS or Subsidiary of any warranty or covenant made by either or both of them in, any TTIS Document. The foregoing indemnification shall also apply to direct claims by Inventory or the Shareholders against TTIS and/or Subsidiary.

4.3. Third Party Claims. 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, the party or parties seeking such indemnification shall promptly notify the indemnifying party or parties, in writing, of such claim; 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 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 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.

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. Exclusive Remedy. The provisions of this Section 4 shall be the sole and exclusive remedy, other than equitable relief, of the parties hereto.

4.6. Limitation. Neither TTIS and Subsidiary, on the one hand, nor the Shareholders on other hand, shall be entitled to any claim for indemnification under this Section 4 until the aggregate amount of losses, for which indemnity is claimed exceeds $50,000, and once such threshold amount is met, then the indemnity shall apply to amounts over such threshold.

5. Covenants

5.1. Investigation.

(a) Between the date hereof and the Closing Date, TTIS and/or Subsidiary, on the one hand, and Inventory and the Shareholders, on the other hand, may, directly and through their representatives, make such investigation of each other corporate party and their respective businesses and assets of the other corporate party or parties as each deems necessary or advisable (the entity and/or its representatives making such investigation being the "Investigating Party"), but such investigation shall not affect any of the representations and warranties contained herein or in any instrument or document delivered pursuant hereto. In furtherance of the foregoing, the Investigating Party shall have reasonable access, during normal business hours after the date hereof, to all properties, books, contracts, commitments and records of each other, and shall furnish to the other and their representatives such financial and operating data and other information as may from time to time be reasonably requested relating to the transactions contemplated by this Agreement. Each of TTIS and Subsidiary, on the one hand, and Inventory and the Shareholders, on the other, and the

respective management, employees, accountants and attorneys of the corporate parties shall cooperate fully with the Investigating Party in connection with such investigation.

(b) The parties hereto hereby agree that all confidential information of a party to which an Investigating Party obtains access shall be governed by and subject to all of the terms and conditions of the confidentiality covenants set forth in the Letter of Intent dated June 6, 1997 ("Confidentiality Agreement") among various parties, including the parties hereto (with TTIS signing on behalf of Subsidiary) and Subsidiary agrees to be bound to the Confidentiality Agreement.

(c) As used in this Section, the term "Confidential Information" shall mean any and all information (verbal and written) relating to the Business, including, but not limited to, information relating to: identity and description of goods and services used; purchasing; costs; pricing; sources; machinery and equipment; technology; research, test procedures and results; customers and prospects; marketing; and selling and servicing;

(d) After the Effective Time each of the Shareholders agrees not to, at any time, directly or indirectly, use, communicate, disclose or disseminate any Confidential Information in any manner whatsoever except such disclosures which are necessary to comply with their duties as officers of the Subsidiary.

5.2. Noncompete Covenant. Except with respect to Terry's ownership of Phillips, each of the Shareholders hereby agrees after the Effective Time not to, until the first anniversary of the Effective Time directly or indirectly (A) engage or become interested in any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) engaged in the business then engaged in by TTIS or Subsidiary in any of the areas in which TTIS or Subsidiary then conducts business or (B) take any other action which constitutes an interference with or a disruption of TTIS or Subsidiary's operation of the Business or Subsidiary's use, ownership and enjoyment of the Assets.

5.3. Certain Activities. For purposes of clarification, but not of limitation (1) each Shareholder acknowledges and agrees that the provisions of subsection 5.2 above shall serve as a prohibition against him, directly or indirectly, hiring, offering to hire, enticing away or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee, customer, prospective customer or supplier of the Business of the Subsidiary or TTIS to discontinue or alter his or its relationship with the Business.

5.4. Injunctive Relief, etc. The parties hereto hereby acknowledge and agree that (i) TTIS and/or Subsidiary would be irreparably injured in the event of a breach by any of the Shareholders of any of their obligations under this Section

5, (ii) monetary damages would not be an adequate remedy for any such breach, and (iii) TTIS and/or Subsidiary shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach. It is hereby also agreed that the existence of any claims which Shareholders may have against TTIS or the Subsidiary, whether under this Agreement or otherwise, shall not be a defense to the enforcement by TTIS and/or Subsidiary of any of the rights under this Section 5.

5.5. Scope of Restriction. It is the intent of the parties hereto that the covenants contained in this Agreement shall be enforced to the fullest extent permissible under the laws of and public policies of each jurisdiction in which enforcement is sought (the Shareholders hereby acknowledge that said restrictions are reasonably necessary for the protection of TTIS and Subsidiary). Accordingly, it is hereby agreed that if any one or more of the provisions of subsections 5.2 or 5.3 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.

5.6. Additional Undertakings. The provisions of this subsection 5.6 shall be in addition to, and not in lieu of, any other obligations with respect to the subject matter hereof, whether arising as a matter of contract, by law or otherwise, including, but not limited to, any obligations which may be

contained in any Employment or Consulting Agreements between Subsidiary and the Shareholders.

5.7. Consummation of Transaction. Each of the parties hereto hereby agrees to use its best 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 any of the parties hereto under this Agreement or any agreement executed and delivered pursuant hereto.

5.8. 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.

(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 TTIS and/or Subsidiary, on the one hand, and/or Inventory and/or the Shareholders, on the other, or their respective legal counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement.

5.9. Accuracy of Representations. Each party hereto agrees that prior to the Effective Date he, she or it will enter into no transaction and take no action, and will use his or its best efforts to prevent the occurrence of any event (but excluding events which occur in the ordinary course of business and events over which such party has no control), which would result in any of his or its representations, warranties or covenants contained in this Agreement or in any agreement, document or instrument executed and delivered by him or it pursuant hereto not to be true and correct, or not to be performed as contemplated, at and as of the time immediately after the occurrence of such transaction or event.

5.10. Notification of Certain Matters. Inventory and the Shareholders shall give prompt notice to TTIS and Subsidiary, and TTIS or Subsidiary shall give prompt notice to Inventory and the Shareholders, as the case may be, of (a) the occurrence, or nonoccurrence, or any event the occurrence, or nonoccurrence, of which would be likely to cause any representation contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time and (b) any material failure of Inventory and/or the Shareholders, on the one hand, and of TTIS and/or Subsidiary, on

the other, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by him or it hereunder; provided, however, that the delivery of any notice pursuant to this Subsection 5.5 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.11. Broker. Each of TTIS, Subsidiary, Inventory, and the Shareholders represents and warrants to the other parties that no broker or finder was engaged or dealt with in connection with any of the transactions contemplated by this Agreement, 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.

5.12. Merger Costs. Each party hereto shall be responsible for paying their respective costs and expenses relating to the Merger and related transactions.

5.13. No Solicitation of Transactions. Prior to the earlier of the Effective Time or the termination of this Agreement, neither Inventory nor the Shareholders will, directly or indirectly, through any director, officer, employee, agent or otherwise, solicit, initiate or encourage the submission of proposals or offers from any person relating to any acquisition or purchase of all or (other than in the ordinary course of business) any portion of the Inventory Common Stock, Assets or Business of, or any equity interest in, Inventory, or any business combination with Inventory (other than the Merger) and

other than with TTIS and/or Subsidiary, participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing. Inventory and the Shareholders shall immediately cease and cause to be terminated any existing discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing (other than in respect of the transaction contemplated hereby). Inventory and the Shareholders shall promptly notify TTIS if any such proposal or offer, or any inquiry or contact with any person with respect thereto, is made and shall, in any such notice to TTIS, indicate in reasonable detail the identity of the offeror and the terms and conditions of any proposal or offer.

5.14. Employment and Consulting Agreements. At the Closing, David will enter into an employment agreement substantially in the form of Exhibit D hereto (the "Employment Agreement"). At the Closing, Terry will enter into a consulting agreement substantially in the form of Exhibit E hereto (the "Consulting Agreement").

5.15. Registration Rights. At the Closing, TTIS shall enter into a registration rights agreement substantially in the form of Exhibit F hereto (the "Registration Rights Agreement"), whereby TTIS would grant the Shareholders certain "piggyback" registration rights.

5.16. Prohibited Conduct. Each of Inventory and the Shareholders, jointly and severally, covenants and agrees that, during the period from the date hereof to the Effective Time, except pursuant to the terms hereof or unless TTIS shall otherwise agree in writing, the Business shall be conducted only, and Inventory shall not take any action except, in the ordinary course of business and in a manner consistent with past practice and in compliance with applicable laws; and Inventory shall use its best efforts to preserve intact its Assets, the Business and the business organization of Inventory, to keep available the services of the present officers, employees and consultants of Inventory, and to preserve the present relationships of Inventory with customers, suppliers and other persons with whom Inventory has business relations. By way of illustration, and not limitation, neither Inventory nor the Shareholders shall, between the date of this Agreement and the Effective Time, directly or indirectly do, or propose or commit to do, any of the following without the prior written consent of TTIS:

(a) (i) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of the Inventory Common Stock, or (ii) split, combine or reclassify any of the Inventory Common Stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of the Inventory Common Stock, or otherwise;

(b) authorize for issuance, issue, deliver, sell or agree to commit to issue, sell or deliver (whether

through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise), pledge or otherwise encumber, any shares of Inventory Common Stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities convertible securities or any other securities or equity equivalents;

(c) (i) increase the compensation payable or to become payable to any officer, director, employees or consultant of Inventory, except pursuant to the terms of contracts, policies or benefit arrangements in effect on the date hereof, or (ii) grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer, other employee or consultant of Inventory or any of its subsidiaries, except pursuant to the terms of contracts, policies and benefit arrangements in effect on the date hereof, or (iii) establish, adopt, enter into or amend any collective bargaining (other than in accordance with past practice), bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any directors, officers, employees or consultants of Inventory;

(d) amend the Certificate of Incorporation, By-Laws or other comparable charter or organizational documents of Inventory or alter through merger, liquidation,

reorganization, restructuring, or in any other fashion, the corporate structure or ownership of Inventory;

(e) acquire, or agree to acquire, (i) by merging or consolidating with, or by purchasing a substantial portion of the stock or assets of, or by any other manner, any business or corporation, partnership, joint venture, association or other business organization or division thereof, or (ii) any assets that are material, individually or in the aggregate, to Inventory, except purchases consistent with past practice;

(f) sell, lease, license, mortgage or otherwise encumber or subject to any lien, security interest, pledge or encumbrance or otherwise dispose of any of the Assets, except sales in the ordinary course of business consistent with past practice;

(g) permit Inventory to incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Inventory, guarantee any debt securities of another person, or enter into any arrangement having the economic effect of any of the foregoing, except for short-term borrowings incurred in the ordinary course of business consistent with past practice, or (ii) permit the Shareholders to issue any guaranties of any indebtedness of Inventory;

(h) except in the ordinary course of business, enter into any agreement, contract, commitment, involving a commitment on the part of Inventory to purchase,

sell, lease or otherwise dispose of assets or require payment by Inventory in excess of $10,000;

(i) make any capital expenditures;

(j) adopt a plan of complete or partial liquidation of Inventory or resolutions providing for or authorizing such a liquidation or the dissolution, merger, consolidation, restructuring, recapitalization or reorganization of Inventory;

(k) cause Inventory to recognize any labor union (unless legally required to do so) or enter into or amend any collective bargaining agreement;

(l) change any accounting principles used by Inventory, unless required by the Financial Accounting Standards Board;

(m) make any tax election of, or settle, compromise any income tax liability of, or file any federal income tax return prior to the last day (including extensions) prescribed by law, in the case of any of the foregoing, material to the business, financial condition or results of the operations of Inventory and it s Subsidiaries, if any, taken as a whole;

(n) settle or compromise any litigation in which Inventory is a defendant (whether or not commenced prior to the date of this Agreement) or settle, pay or compromise any claims not required to be paid, which payments are individually in an amount in excess of $5,000 and in the aggregate in an amount in excess of $50,000; and

(o) authorize any of, or commit or agree to take any of, the foregoing actions.

5.17. Tax Covenant. The Stockholders shall use their best efforts to cause the Merger to qualify, and will not (both before and after consummation of the Merger) take any actions which could prevent the Merger from qualifying as a reorganization under the provisions of Section 368 of the Code and the regulations promulgated thereunder. Each of TTIS and the Subsidiary will not (after the consummation of the Merger) take any actions which will prevent the Merger from qualifying as a reorganization under the provisions of Section 368 of the Code and the regulations promulgated thereunder. Each of TTIS, the Subsidiary and the Shareholders shall report the Merger as a reorganization under the provisions of Section 368 of the Code and the regulations promulgated thereunder and, to the extent permitted, on all state and local tax returns.

5.18. Pooling. Neither Inventory nor the Shareholders shall take any action which would affect the likelihood of treating, for financial reporting purposes, the Merger as a pooling of interests.

5.19. Bank Guaranties.

(a) Immediately following the consummation of the Merger, TTIS and the Subsidiary shall use their reasonable efforts to cause, on or before the sixtieth (60th) day after the Effective Time, each of the Shareholders to be released from the forms of guaranty (the "Guaranties") executed by such Shareholders in connection with that line of

credit secured by, among other things, a commercial note dated February 21, 1995 from Crestar Bank (the "Line of Credit"); provided that TTIS and Subsidiary shall not be obligated to prepay such obligations. The Shareholders covenant to continue such guaranties until the foregoing releases have been obtained.

(b) Notwithstanding anything to the contrary contained in this Section 5.19, Subsidiary hereby indemnifies and agrees to defend and hold harmless each of the Shareholders from and against any and all losses, obligations, deficiencies, liabilities, claims, damages, costs and expenses (including, without limitation, reasonable legal expenses incurred in connection with the defense of any matter indemnified pursuant hereto) finally suffered or charged to any of such Shareholders (the "Loss"), which Loss arises out of, or results from, the Guaranties by reason of any act or omission of the Subsidiary subsequent to the Effective Time with respect to the Line of Credit; provided, however, that the Subsidiary shall not be obligated to indemnify or defend the Shareholders with respect to any Loss (i) resulting from a claim or assertion of liability arising out of or caused by acts or omissions of any of the Shareholders prior to the Effective Time; (ii) incurred or accruing prior to the Effective Time; or (iii) arising out of, relating to, or resulting from negligent or tortious conduct by any of the Shareholders.

6. Conditions of Merger.

6.1. Conditions to Obligations of TTIS and Subsidiary to Effect the Merger. The respective obligations of TTIS and Subsidiary to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Creative Alliance Group Merger. All of the transactions to be consummated on or before the closing pursuant to that certain Agreement and Plan of Merger by and among TTIS, the Subsidiary, Creative Alliance Group, Inc. and the shareholders (the "Creative Merger"), shall have been effected.

(b) Accuracy of Representations and Warranties. The representations and warranties of each of Inventory and the Shareholders contained herein or in any Shareholders Document or Inventory Document delivered by either or both of them shall have been true when made, and, in addition, shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(c) Performance of Agreements. Each of Inventory and the Shareholders, as the case may be, shall have performed, observed and complied in all material respects with all of their obligations, covenants and agreements, and shall have satisfied or fulfilled in all material respects conditions

contained in any Shareholders Document or Inventory Document and required to be performed, observed or complied with, or to be satisfied or fulfilled, by Inventory or the Shareholders at or prior to the Effective Date.

(d) Results of Investigation. TTIS and Subsidiary shall be satisfied with the results of any investigation of the business and affairs of Inventory undertaken by them pursuant to Subsection 5.1 hereof.

(e) Pooling of Interests. TTIS shall have received an opinion from Coopers & Lybrand that the Merger will be treated, for financial reporting purposes, as a pooling of interests.

(f) Opinion of Counsel for Inventory. TTIS and Subsidiary shall have received an opinion of Cowen & Owen, counsel for Inventory and the Shareholders, dated the Closing Date, in substantially the form of Exhibit G hereto.

(g) Litigation. No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated hereby, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with this Agreement or any of the transactions contemplated hereby, shall have been instituted or threatened by any person or entity, and which, in the reasonable judgment of TTIS (based on the likelihood of success and material consequences of such claim,

suit, action, inquiry or proceeding), makes it inadvisable to proceed with the consummation of such transactions.

(h) Consents and Approvals. All consents, waivers, approvals, licenses and authorizations by third parties and governmental and administrative authorities (and all amendments or modifications to existing agreements with third parties) required as a precondition to the performance by Inventory and the Shareholders of their respective obligations hereunder and under any agreement delivered pursuant hereto, or which in TTIS's reasonable judgment are necessary to continue unimpaired, subsequent to the Effective Time, any rights in and to the Assets and/or the Business which could be impaired by the Merger, shall have been duly obtained and shall be in full force and effect.

(i) Date of Consummation. The Merger shall have been consummated on or prior to July 31, 1997, or such later date as all of the parties shall agree in a written instrument.

(j) Validity of Transactions. The validity of all transactions contemplated hereby, as well as the form and substance of all agreements, instruments, opinions, certificates and other documents delivered by Inventory and the Shareholders pursuant hereto, shall be satisfactory in all material respects to TTIS and its counsel.

(k) No Material Adverse Change. Except as otherwise provided by this Agreement, there shall not have occurred after the date hereof, in the reasonable judgment of

TTIS, a material adverse change in the financial or business condition of Inventory and its subsidiaries, taken as a whole.

(l) Employment and Consulting Agreements. David shall have executed and delivered the Employment Agreement with Subsidiary. Terry shall have executed and delivered the Consulting Agreement with Subsidiary.

(m) Satisfaction of Officer/Director Loans from Inventory. All loans or other indebtedness due from the Shareholders to Inventory, as reflected on the Balance Sheet, shall have been paid, irrespective of any other due date contained in the documents executed in connection with any such loan or indebtedness.

(n) Closing Certificate. Each of the Shareholders shall have furnished TTIS and Subsidiary with certificates, all dated the Closing Date, to the effect that all the representations and warranties of Inventory and the Shareholders are true and complete and all covenants to be performed by Inventory or the Shareholders at or as of the Closing have been performed and conditions to be satisfied at or as of the Closing have been waived or satisfied.

(o) Audited Financials. TTIS shall have received from Coopers & Lybrand an audit of Inventory's books and records with respect to the fiscal years ended October 31, 1995 and 1996.

(p) Tax Liabilities. The Shareholders shall have paid (and/or made adequate allowance for payment of) any and

all tax liabilities having accrued prior to the Closing Date with respect to the Tax Adjustments.

6.2. Conditions to Obligations of Inventory and the Shareholders to Effect the Merger. The obligations of Inventory and the Shareholders to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Creative Merger. All of the transactions to be consummated on or before the closing of the Creative Merger shall have been effected.

(b) Accuracy of Representations and Warranties. The representations and warranties of Subsidiary and TTIS contained in any TTIS Documents delivered by either Subsidiary or TTIS or both of them shall have been true when made, and, in addition, shall be true in all material respects, on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(c) Performance of Agreements. Each of TTIS and Subsidiary shall have performed, observed and complied, in all material respects, with all obligations, covenants and agreements, and shall have satisfied or fulfilled in all material respects all conditions contained in any TTIS Document and required to be performed, observed or complied with, or satisfied or fulfilled, by either or both of them at or prior to the Closing Date.

(d) Opinion of Counsel. Inventory and the Shareholders shall have received an opinion of Tenzer Greenblatt LLP, counsel for TTIS and Subsidiary, dated the Closing Date, in

substantially the form of Exhibit H attached hereto.

(e) Litigation. No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated hereby, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with this Agreement or any of the transactions contemplated hereby shall have been instituted or threatened by any person or entity, and which in the reasonable judgment of the Shareholders (based on the likelihood of success and material consequences of such claim, suit, action, inquiry or proceeding), makes it inadvisable to proceed with the consummation of such transactions.

(f) Consents and Approvals. All consents, waivers, approvals, licenses and authorizations by third parties and governmental and administrative authorities (and all amendments and modifications to existing agreements with third parties) required as a precondition to the performance by Subsidiary and TTIS of their respective obligations hereunder and under any agreement delivered pursuant hereto, shall have been duly obtained and shall be in full force and effect.

(g) Date of Consummation. The Merger shall have been consummated on or prior to July 31, 1997, or such later date as all of the parties shall agree in a written instrument.

(h) Validity of Transactions. The validity of all transactions contemplated hereby, as well as the form and substance of all agreements, instruments, opinions, certificates

and other documents delivered by TTIS and Subsidiary pursuant hereto, shall be satisfactory in all material respects to the Shareholders and its counsel.

(i) No Material Adverse Change. There shall not have occurred after the date hereof, in the reasonable judgment of Inventory or the Shareholders, a material adverse change in the financial or business condition of TTIS or Subsidiary, taken as a whole.

(j) Employment and Consulting Agreements. Subsidiary shall have executed and delivered to David the Employment Agreement and shall have executed and delivered to Terry the Consulting Agreement.

(k) Closing Certificate. Each of TTIS and Subsidiary shall have furnished Inventory with certificates, each executed by their respective presidents, dated the Closing Date, to the effect that all the representations and warranties of TTIS or Subsidiary, as the case may be, are true and complete in all material respects and all covenants to be performed by each of TTIS or Subsidiary, as the case may be, at or as of the Closing have been performed in all material respects and conditions to be satisfied at or as of the Closing have been waived or satisfied in all material respects.

7. The Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Section 8, the closing of the Merger (the "Closing") will take place at the offices of Tenzer Greenblatt LLP as promptly as practicable (and in any event within five business

days) after satisfaction or waiver of the conditions set forth in Section 6 but in no event later than July 31, 1997 (the "Closing Date"); or such later date as shall have been fixed by a written instrument signed by the parties.

7.1. Deliveries by TTIS and Subsidiary at the Closing. At the Closing, TTIS and Subsidiary shall deliver the following:

(a) stock certificate(s), representing the Share Consideration registered in the names of the Shareholders;

(b) copies of (i) (A) resolutions adopted by the Board of Directors of TTIS authorizing TTIS to execute and deliver the TTIS Documents to which it is a party and to perform its obligations thereunder, upon the terms and subject to the conditions set forth therein and authorizing Subsidiary to execute and deliver the TTIS Documents to which it is a party, to perform its obligations thereunder, and to effect the Merger upon the terms and subject to the conditions set forth therein, duly certified by the Secretary or Assistant Secretary of Subsidiary.

(c) Confirmation, in the form of satisfactory to the parties hereto, from the States of Delaware or Virginia that the Agreement of Merger of Inventory with and into the Subsidiary has been filed with such Secretaries of State; together with a copy of the executed form of such agreement.

(d) Certificates of the Secretary or Assistant Secretary of each of TTIS and Subsidiary certifying as to the incumbency and specimen signatures of the officers of TTIS

and Subsidiary executing the TTIS Documents on behalf of such corporation.

7.2. Deliveries by Inventory and/or the Shareholders at the Closing. At the Closing, Inventory and/or the Shareholders, as applicable, shall deliver to TTIS and/or Subsidiary, as the case may be, the following:

(a) stock certificate(s) representing the Inventory Common Stock, duly executed by the Shareholders;

(b) a copy of the resolutions of the Board of Directors of Inventory, and the written consent of the Shareholders, authorizing Inventory to execute and deliver the Inventory Documents, to perform its obligations thereunder and to effect the Merger, duly certified by the Secretary or assistant Secretary of Inventory;

(c) Certificates of the Secretary or Assistant Secretary of Inventory certifying as to the incumbency and specimen signatures of the officers of Inventory executing the Inventory Documents on behalf of such corporation;

(d) the Employment Agreement, duly executed by David;

(e) the Consulting Agreement, duly executed by Terry.

7.3. Other Deliveries. In addition, the parties shall execute and deliver such other documents as may be required by this Agreement and as either of them or their respective counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement.

8. Termination, Amendment and Waiver.

8.1. Termination. This Agreement may be terminated at any time prior to the Effective Time:

(a) By mutual consent of the Boards of Directors of TTIS, Subsidiary and Inventory; or

(b) By TTIS and Subsidiary, on the one hand, or Inventory and the Shareholders, on the other hand, if (i) the Merger shall not have been consummated by July 31, 1997, or such later date as the parties shall have fixed by written instrument signed by the parties hereto; provided, however, that the right to terminate this Agreement under this Subsection shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date or (ii) a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to vacate), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

(c) By TTIS and Subsidiary, on the one hand, or by Inventory and the Shareholders, on the other hand, if, in the reasonable judgment of TTIS and Subsidiary or Inventory and the Shareholders, as the case may be, (and provided such parties are not then in material breach of their respective obligations hereunder), it shall have been determined that the transaction

contemplated by this Agreement has become inadvisable or impracticable by reason of the institution or threat by state, local or federal governmental authorities or by any other person of material litigation or proceedings against TTIS or Inventory.

(d) By TTIS and Subsidiary, on the one hand, or Inventory and the Shareholders, on the other hand, if, in the reasonable judgment of TTIS and Subsidiary or Inventory or the Shareholders, as the case may be (and provided such parties are not then in material breach of their respective obligations hereunder), it shall be determined that the business or assets or financial condition of the other unrelated corporate party hereto has been materially and adversely affected since May 31, 1997, whether by reason of changes, developments or operations in the normal course of business or otherwise.

8.2. Effect of Termination. In the event of the termination of this Agreement as provided in this Section 8, this Agreement shall, forthwith become null and void and there shall be no liability on the part of any party hereto and nothing herein shall relieve any party from liability for any wilful breach hereof. Such termination shall not, however, affect the obligations of the parties under the Confidentiality Agreement.

8.3. Fees and Expenses. Each of the parties shall be responsible for, and shall pay, its or his respective fees and expenses incurred by such party in connection with the Merger and the transactions contemplated by this Agreement.

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

8.5. Waiver. At any time prior to the Effective Time, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby.

9. Survival of Representations and Warranties.

Each of the parties hereto hereby agrees that: (i) representations and warranties made by or on behalf of him or it in this Agreement or in any document or instrument delivered pursuant hereto with respect to tax matters, environmental compliance and ERISA matters shall survive the respective statutes of limitations for such matters; and (ii) all other representations or warranties made herein shall survive the Closing Date for a period of one (1) year after the Effective Time.

10. General Provisions.

10.1. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered, if delivered personally, or one (1) business day

after having been deposited with courier, if sent by overnight courier, or being sent by telecopy, if sent by telecopy (receipt confirmed), or three (3) business days after having been mailed, if mailed by registered or certified mail (postage prepaid, return receipt requested), to the parties 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 TTIS or Subsidiary: Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attn: Ryan A. Brant
Chief Executive Officer
Facsimile #:

with a copy to: Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attn: Robert J. Mittman, Esq.
Facsimile #: (212) 885-5001

If to Inventory or the Shareholders:
Inventory Management Systems, Inc.
2900 Polo Parkway
Suite 104
Richmond, Virginia 23113
Attn: David Clark
Facsimile #

with a copy to: Cowan & Owen, P.C.
1930 Hugenot Road
P.O. Box 35655
Richmond, Virginia 23235-0655
Attn: Michael C. Hall, Esq.
Facsimile #:

10.2. 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.

10.3. Entire Agreement. This Agreement, the Confidentiality Agreement, the Inventory Documents, the Shareholder Documents and the TTIS Documents (including the Employment and Consulting Agreement) constitute the entire agreement, and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

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

10.5. Headings. Headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

10.6. 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. Each of TTIS, Subsidiary, Inventory and the Shareholders hereby irrevocably and unconditionally consents to submit to the

jurisdiction of the courts of the State of New York and of the United States located in the County of New York, State of New York for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in such courts and agrees not to plead or claim that such litigation brought in any such courts has been brought in an inconvenient forum.

10.7. Attorneys' Fees. In the event of any dispute arising out of the subject matter of this Agreement, the prevailing party shall recover, in addition to any other damages assessed, its reasonable attorneys' fees and costs incurred in litigating, arbitrating, or otherwise settling or resolving such dispute.

10.8. 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.

IN WITNESS WHEREOF, each of Take-Two Interactive Software, Inc., Subsidiary, Inventory Management Systems, Inc., by their respective officers thereunto duly authorized, the Shareholders, individually, have caused this Agreement to be executed as of the date first written above.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By:/s/ Ryan Brant

TAKE TWO ACQUISITION CORP.

By:/s/ Ryan Brant

INVENTORY MANAGEMENT SYSTEMS, INC.

By:/s/ David Clark

David Clark

By:/s/ Karen Clark

Karen Clark

By: /s/ Terry Phillips

Terry Phillips

By: /s/ Cathy Phillips

Cathy Phillips

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AGREEMENT AND PLAN OF MERGER dated as of July 30, 1997 (the "Agreement"), among Take-Two Interactive Software, Inc., a Delaware corporation ("TTIS"); Take-Two Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of TTIS ("Subsidiary"); Creative Alliance Group, Inc., a Virginia corporation ("Creative"); David Clark ("David"), Terry Phillips ("Terry") and Russell Howard ("Russell"). David, Terry and Russell are sometimes referred to as the "Shareholders."

W I T N E S S E T H :

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

WHEREAS, TTIS desires to combine Creative's Business with its existing computer software business; and

WHEREAS, the Board of Directors of TTIS, the Board of Directors of Subsidiary, TTIS as the sole shareholder of Subsidiary, and the Board of Directors of Creative and Shareholders have: (a) determined that it is in the best interests of their respective companies for Creative to be merged with and into Subsidiary upon the terms and subject to the conditions set forth herein; and (b) approved the merger of Creative with and into Subsidiary (the "Merger") in accordance with the General Corporation Law of the Commonwealth of Delaware ("Delaware Law"), and the Stock Corporation Act of the State of Virginia ("Virginia 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 the Delaware Law and the Virginia Law, Creative shall be merged with and into Subsidiary, the separate corporate existence of Creative 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. As promptly as practicable after the satisfaction or waiver of the conditions set forth in Section 6, unless this Agreement shall have been terminated and the transactions contemplated herein shall have been abandoned pursuant to Section 8.1, Subsidiary and Creative shall cause the Merger to be consummated by filing an Certificate of Merger (the "Certificate of Merger") with the Secretaries of State of the State of Delaware and the Commonwealth of Virginia in the form of Exhibit A hereof and making such other filings as may be required by the Delaware Law and the Virginia Law, in such form as required by and executed in accordance with such laws (the time of the last of such filings to be made 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 Delaware Law and Virginia 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 Creative and all debts due Creative shall vest in Subsidiary, and all debts, liabilities, obligations and duties of Creative shall become the debts, liabilities, obligations and duties of Subsidiary.

1.4. Articles of Incorporation; By-Laws.

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

1.5. Directors and Officers of Subsidiary. (a) The directors of Subsidiary immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with

applicable law, the Certificate of Incorporation and By-Laws of the Surviving Corporation until resignation, removal or replacement.

(b) The officers of Subsidiary immediately prior to the Effective Time shall constitute the initial officers of the Surviving Corporation, in each case to serve at the pleasure of the Board of Directors of Subsidiary until their respective resignation, removal or placement.

1.6. Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of TTIS, Subsidiary, Creative or the Shareholders:

(a) Any share of Creative Common Stock (as defined in Subsection 2.2 hereof) held in the treasury of Creative shall be cancelled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(b) All of the outstanding shares (the "Shares") of the Creative Common Stock shall be converted into the right to receive 150,000 shares of Common Stock, $.01 par value per share, of TTIS ("TTIS Common Stock") (hereafter referred to as the "Share Consideration" or the "Merger Consideration") against the surrender to Subsidiary of the certificates representing the Shares. Any share of Creative preferred stock, warrant, option or other security convertible or exchangeable into Creative capital stock shall be cancelled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(c) 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.

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

(e) From and after the Effective Time, the holders of certificates evidencing ownership of Shares shall cease to have any rights with respect to the 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 Shares for any amount properly paid to a public official pursuant to any applicable property, escheat or similar law.

(g) No fractional shares of TTIS Common Stock shall be issued in connection with the Merger and the Shareholders will be issued a whole share of TTIS Common Stock in lieu of any fractional shares.

2. Representations and Warranties as to Creative. Each of the Shareholders, jointly and severally, represents and warrants to TTIS and Subsidiary as follows:

2.1. Organization, Standing and Power. Creative is a corporation duly organized, validly existing and in good

standing under the laws of the Commonwealth of Virginia, with full corporate power and corporate authority to (i) own, lease and operate its properties, (ii) carry on its business as currently conducted by it and (iii) execute and deliver, and perform under this Agreement and each other agreement and instrument to be executed and delivered by it pursuant hereto. Except as set forth on Schedule 2.1, there are no states or jurisdictions in which the character and location of any of the properties owned or leased by Creative, or the conduct of its business makes it necessary for Creative to qualify to do business as a foreign corporation, where the failure to so qualify would have a material adverse effect on the business, operations or financial condition of Creative. True and complete copies of the Articles of Incorporation of Creative and all amendments thereof, and of the By-Laws of Creative, as amended to date, have heretofore been furnished to TTIS. Creative's minute books contain complete and accurate records of all meetings and other corporate actions of Creative's stockholders and Board of Directors (including committees of its Board of Directors).

2.2. Capitalization.

(a) The authorized capital stock of Creative consists of 5,000 shares of common stock, par value $1.00 per share (the "Creative Common Stock"), of which 300 shares are issued and outstanding. As of the date hereof, all of the Creative Common Stock is duly authorized, validly issued, fully paid and nonassessable. Schedule 2.2 sets forth a true and complete list of the holders of all outstanding shares of Creative Common Stock, and the holders of all outstanding options

and warrants issued by Creative. Except as set forth on Schedule 2.2, there are no options, warrants or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of Creative or any of its subsidiaries or obligating the Shareholders or Creative or any of its subsidiaries to issue or sell any shares of capital stock of or other equity interests in Creative or any of its subsidiaries. There is no personal liability, and there are no preemptive rights with regard to the capital stock of Creative or its subsidiaries, and no right-of-first refusal or similar rights with regard to such capital stock. Except as set forth on Schedule 2.2 and except for the transactions contemplated by this Agreement, there are no outstanding contractual obligations or other commitments or arrangements of Creative or any of its subsidiaries to (A) repurchase, redeem or otherwise acquire any shares of Creative Common Stock (or any interest therein) or (B) to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in any such subsidiary or other entity, or (C) issue or distribute to any person any capital stock of Creative or its subsidiaries, or (D) issue or distribute to holders of any of the capital stock of Creative or its subsidiaries any evidences of indebtedness or assets of Creative or its subsidiaries. All of the outstanding securities of Creative have been issued and sold by Creative in full compliance with applicable federal and state securities laws.

(b) The outstanding shares of capital stock of each of the subsidiaries of Creative, are duly authorized,

validly issued, fully paid and nonassessable, and such shares are owned by Creative, directly or indirectly, free and clear of all security interests, liens, adverse claims, pledges, agreements, limitations on Creative's voting rights, charges and other encumbrances of any nature whatsoever.

2.3. Ownership of Creative Common Stock. The Shareholders have good and marketable title to all of the issued and outstanding shares of Creative Common Stock, free and clear of any and all liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, which shares are held by them in the amounts set forth in Schedule 2.3 hereof, and on the Closing Date (as defined in Section 7 hereof) will own all of such Creative Common Stock, free and clear of any and all liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, including, but not limited to, any claims by any present or former stockholders of Creative.

2.4. Interests in Other Entities.

(a) Schedule 2.4 sets forth a true and complete list of all direct or indirect subsidiaries of Creative, together with the jurisdiction of incorporation of each such subsidiary and the percentage of each such subsidiary's outstanding capital stock owned by Creative or another of Creative's subsidiaries. Each of such subsidiaries are duly organized corporations, validly existing and in good standing under the laws of the jurisdiction of its respective incorporation (as well as all applicable foreign jurisdictions

necessary to its business operations) and have the requisite corporate power and authority and governmental authority to own, operate or lease the properties that each purports to own, operate or lease and to carry on its business as it is now being conducted.

(b) Except for (A) each of Terry's and David's ownership of 25% of the outstanding capital stock of Inventory Management Systems, Inc., and (B) Terry's ownership of 100% of the outstanding capital stock of Phillips Sales, Inc. ("Phillips"), a Virginia corporation engaged in the business of acting as representative in the distribution of "front-line" interactive software games and the sale of "close-out" interactive software games, neither the Shareholders (individually or jointly) nor Creative (i) own, directly or indirectly, of record or beneficially, any shares of voting stock or other equity securities of any other corporation engaged in the same or similar business to that business engaged in by Creative at the Effective Time (other than not more than one percent (1%) of the publicly-traded capital stock of corporations engaged in such business held solely for investment purposes); (ii) have any ownership interest, direct or indirect, of record or beneficially, in any unincorporated entity engaged in the same or similar business to that business engaged in by Creative at the Effective Time; and (iii) have any obligation, direct or indirect, present or contingent, (A) to purchase or subscribe for any interest in, advance or loan monies to, or in any way make investments in, any other person or entity engaged in the same or

similar business to that business engaged in by Creative at the Effective Time, or (B) to share any profits or capital investments or both from a entity engaged in the same or similar business to that business engaged in by Creative at the Effective Time.

2.5. Authority. The execution and delivery by Creative of this Agreement and of all of the agreements to be executed and delivered by Creative pursuant hereto (collectively, the "Creative Documents"), the performance by Creative of its 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 Creative (including, but not limited to, the unanimous consents of the Board of Directors of Creative and of the Shareholders) and Creative has all necessary corporate power and corporate authority with respect thereto. The Shareholders are individuals having all necessary capacity, power and authority to execute and deliver this Agreement and such other agreements to be executed and delivered by either of them pursuant hereto (collectively, the "Shareholder Documents") and to consummate the transaction consummated hereby and thereby. This Agreement is, and when executed and delivered by Creative and the Shareholders, each of the other agreements to be delivered by either or both of them pursuant hereto will be, the valid and binding obligations of Creative and the Shareholders, to the extent they are parties thereto, in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization,

moratorium or other laws affecting the rights of creditors generally and subject to the rules of law governing (and all limitations on) specific performance, injunctive relief, and other equitable remedies.

2.6. Noncontravention. Except as set forth on Schedule 2.6, neither the execution and delivery by Creative or the Shareholders of this Agreement or of any other Creative Documents or Shareholder Documents to be executed and delivered by either or both of them, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by either or both of them of any of their respective obligations 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, By-Laws or other constituent documents of Creative, each as amended to date, 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 any of them, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which either or both of them is a party or by which either or both of them or any of their respective assets may be bound, 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 either or both of them, or (d) result in the

creation or imposition of any lien, adverse claim, restriction, charge or encumbrance upon any of the assets of Creative (the "Assets"), or (e) interfere with or otherwise adversely affect the ability of Subsidiary to carry on the Business after the Effective Date on substantially the same basis as is now conducted by Creative.

2.7. Financial Statements. Creative has heretofore delivered to each of TTIS and Subsidiary (a) its financial statements consisting of the unaudited balance sheets for the years ended October 31, 1995 and 1996, and the related statements of income, stockholders' equity and cash flows for the two years then ended, which have been compiled by Gregg & Bailey, P.C., independent certified public accountants, and (b) its unaudited balance sheet at May 31, 1997 (the "Balance Sheet") statements of income, stockholders' equity and cash flows for the seven months ended May 31, 1997 (collectively, the "Creative Financial Statements"). The Creative Financial Statements were prepared in accordance with generally accepted accounting principals ("GAAP"), consistently applied, and present fairly the financial position of Creative as at the dates thereof and the results of operations for the periods and the cash flow indicated. The books and records of Creative are complete and correct, have been maintained in accordance with good business practices, and accurately reflect the basis for the financial condition, results of operations and cash flow of Creative as set forth in the Creative Financial Statements.

2.8. Guaranties. Schedule 2.8 hereto is a complete and accurate list and summary description of all written guaranties currently in effect heretofore issued by the Shareholders to any bank or other lender in connection with any credit facilities extended by such creditors to Creative (collectively, the "Guaranties"), including the name of such creditor and the amount of the indebtedness, together with any interest and fees currently owing and expected to be outstanding as of the Effective Time.

2.9. Absence of Undisclosed Liabilities. Creative has no liabilities or obligations of any nature whatsoever, whether accrued, matured, unmatured, absolute, contingent, direct or indirect or otherwise, which have not been (a) in the case of liabilities and obligations of a type customarily reflected on a corporate balance sheet, prepared in accordance with GAAP, set forth on the Balance Sheet, or (b) incurred in the ordinary course of business since May 31, 1997, or (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, or arising under contracts or leases listed in such Schedules or other contracts or leases which are omitted from such Schedules in accordance with the terms of this Agreement, or (d) incurred, consistent with past practice, in the ordinary course of business of Creative (in the case of liabilities and obligations of the type referred to in clause (a) above).

2.10. Properties. Except as set forth on Schedule 2.10, Creative has marketable title to all of the properties and assets, reflected on the Balance Sheet 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 (including liens for current Taxes, as defined in Subsection 2.16(c) hereof), pledges, claims, charges and encumbrances of any nature whatsoever (hereinafter collectively, "Liens"), other than Liens set forth in Schedule 2.10 not yet due and payable or being contested in good faith by appropriate proceedings, and other than such Liens or imperfections of title, if any, which are not material in character, amount or extent and do not materially interfere with the present or continued use of such property or otherwise materially adversely affect the value or transferability thereof or otherwise materially impair the Business or operations of Creative as conducted on the date hereof. All plants, structures and equipment which are utilized in the Business, or are material to the condition (financial or otherwise) of Creative are owned or leased by Creative and are in good operating condition and repair (ordinary wear and tear excepted), and are adequate and suitable for the purposes for which they are used. Schedule 2.10 sets forth all (a) real property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by Creative, or which is subject to a title retention or conditional sales agreement or other security device, and (b) tangible

personal property which is owned, leased (whether as lessor or lessee) or subject to contract or commitment of purchase or sale or lease (whether as lessor or lessee) by Creative.

2.11. Accounts Receivable; Inventories. The accounts and notes receivable which are reflected on the Balance Sheet are good and collectible in the ordinary course of business at the aggregate recorded amounts thereof, less the respective amount of the allowances for doubtful accounts and notes receivable, if any, reflected thereon, and are not subject to offsets other than in the ordinary course of business. The accounts and notes receivable of Creative which were added after May 31, 1997, are good and collectible in the ordinary course of business, less the amount of the allowance(s) for doubtful accounts and notes receivable, if any, reflected thereon (which allowances were established on a basis consistent with prior practice), and are not subject to offsets other than in the ordinary course of business. The inventories reflected on the Balance Sheet and thereafter added 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, all of which have been written down to net realizable value or adequately reserved against on the books and records of Creative. All inventories are stated at the lower of cost or market in accordance with generally accepted accounting principles.

2.12. Absence of Changes. Since May 31, 1997, there have not been (a) any adverse change (other than as is normal in the ordinary course of business, e.g., inventory level changes) in the condition (financial or otherwise), assets, liabilities, business, prospects, results of operations or cash flows of Creative (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (b) any waivers by Creative of any right, or cancellation of any debt or claim, of material value, (c) any declarations, set asides or payments of any dividend or other distributions or payments in respect of the Creative Common Stock, or (d) any changes in the accounting principles or methods which are utilized by Creative.

2.13. Litigation. Except as set forth in Schedule 2.13, there are no claims, suits or actions, or administrative, arbitration or other proceedings or governmental investigations, pending or, to the best knowledge of Creative and the Shareholders, threatened, against or relating to Creative or the Shareholders, the transactions contemplated hereby or any of the Assets. There are no judgments, orders, stipulations, injunctions, decrees or awards in effect which relate to Creative, this Agreement, the transactions contemplated, the Business or any of the Assets, the effect of which is (a) to limit, restrict, regulate, enjoin or prohibit any business practice of Creative in any area, or the acquisition by Creative of any properties, assets or businesses, or (b) otherwise materially adverse to the Business or any of the Assets.

2.14. No Violation of Law. Creative is not engaging in any activity or omitting to take any action as a result of which it is 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 Creative, the Business or any of the Assets, including, but not limited to, those relating to: occupational safety and health matters; issues of 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); business practices and operations; labor practices; employee benefits; and zoning and other land use laws and regulations.

2.15. Intangibles/Inventions. Schedule 2.15 identifies (by a summary description) the Intangibles (as defined below) the ownership thereof and, if applicable, Creative's authority for use of the same, which Schedule is complete and correct and encompasses: (A) all United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part or used by Creative, and all applications therefor (collectively, the "Marks"), (B) all inventions, discoveries, improvements, processes, formulae, technology, know-how, processes and other intellectual property, proprietary rights and trade secrets

relating to the Business (collectively, the "Inventions") and (C) all licenses and other agreements to which Creative is a party or otherwise bound which relate to any of the Intangibles or the Inventions or Creative's use thereof in connection with the Business (collectively, the "Licenses, and together with the Marks and the Inventions, the "Intangibles"). No violations of the terms of any of the aforesaid licenses and/or agreements have occurred. Except as disclosed on Schedule 2.15, (A) Creative owns or is authorized to use in connection with the Business all of the Intangibles; (B) no proceedings have been instituted, are pending, or to the best knowledge of the Shareholders, are threatened which challenge the rights of Creative with respect to the Intangibles or their use thereof in connection with the Business and/or the Assets or the validity thereof and, there is no valid basis for any such proceedings; (C) neither Creative's ownership of the Intangibles nor their use thereof in connection with the Business and/or the Assets violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; (D) none of the Intangibles, or Creative's use thereof in connection with the Business and/or the Assets is subject to any outstanding order, decree, judgment, stipulation or any lien, security interest or other encumbrance; and (E) Creative has not granted any license to third parties with regard to its Intangibles.

2.16. Tax Matters.

(a) Creative 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 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 are set forth on the Balance Sheet are adequate for all accrued and unpaid taxes of Creative as of May 31, 1997, whether (i) incurred in respect of or measured by income of Creative for any periods prior to the close of business on that date, or (ii) arising out of transactions entered into, or any state of facts existing, on or prior to such date. Creative has duly withheld all payroll taxes, FICA and other federal, state and local taxes and other items requiring to be withheld by it from employee wages, and has duly deposited the same in trust for or paid over to the proper taxing authorities. Creative 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 the Shareholders, 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 Creative have not been examined by the Internal Revenue Service ("the IRS"), nor has the State of Virginia or any taxing authority thereof examined any merchandize, personal property, sales or use tax returns of Creative.

(b) Creative (i) has not agreed to or been required to make any adjustment pursuant to Section 481(a) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) has no knowledge that the IRS or any other taxing authority has proposed any such adjustment or change in accounting method, and (iii) has no application pending with any governmental authority requesting permission for any change in accounting method.

(c) As used herein, the term "Taxes" 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.

2.17. Insurance. Schedule 2.17 is a complete and correct list and summary description of all contracts and policies of insurance relating to any of the Assets, the Business or the Shareholders in which Creative or any creditor is an insured party, beneficiary or loss payable payee. Such policies are in full force and effect, all premiums due and payable with respect thereto have been paid, and no notice of cancellation or termination has been received by Creative with respect to any such policy.

2.18. Banks; Powers of Attorney. Schedule 2.18 is a complete and correct list showing (a) the names of each bank

in which Creative 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 Creative.

2.19. Employee Arrangements. Schedule 2.19 is a complete and correct list and summary description of all (a) union, collective bargaining, employment, management, termination and consulting agreements to which any of Creative is a party or otherwise bound, and (b) compensation plans and arrangements; bonus and incentive plans and arrangements; deferred compensation plans and arrangements; pension and retirement plans and arrangements; profit-sharing and thrift plans and arrangements; stock purchase and stock option plans and arrangements; hospitalization and other life, health or disability insurance or reimbursement programs; holiday, sick leave, severance, vacation, tuition reimbursement, personal loan and product purchase discount policies and arrangements; and other plans or arrangements providing for benefits for employees of Creative. Said Schedule also lists the names and compensation of all employees of Creative whose earnings during the last fiscal year were $25,000 or more (including bonuses and other incentive compensation), and all employees who are expected to receive at least said amount in respect of the current fiscal year.

2.20. ERISA.

(a) Plans. Schedule 2.20 lists Creative's "employee pension benefit plan" ("Creative Pension Plan"), as such term is defined in Section 3(2) of the Employee Retirement

Income Security Act of 1974, as amended ("ERISA"), and Creative's "welfare benefit plan" (collectively called "Creative Welfare Plans") as such term is defined in Section 3(1) of ERISA, which is maintained by Creative or to which they contribute or are obligated or required to contribute. The Creative Pension Plans and Creative Welfare Plans are hereinafter sometimes collectively referred to as the "Plans" and severally referred to as a "Plan".

(b) Qualification. Each Creative Pension Plan and the trust (if any) forming a part thereof has been determined by the IRS to be qualified under Section 401(a) of the Code, and is exempt from taxation under Section 501(a) of the Code, and nothing has occurred since the date of such determination which would adversely affect such qualification.

(c) Plan Documents. Creative has heretofore delivered to TTIS and Subsidiary, true, complete and correct copies of (i) the Plans, and all related trust agreements, (ii) all written interpretations and summary plan descriptions relating thereto, (iii) the two most recent annual reports (Form 5500 Series) and accompanying schedules which were prepared in connection with each Plan, (iii) all IRS determination letters relating to the Plans, and (iv) the two most recent actuarial evaluation reports which were prepared in connection with any of the Plans.

(d) No Prohibited Transactions. Neither Creative, nor any of the Plans, nor any trust created thereunder, nor any trustee or administrator thereof, have engaged in a transaction which would subject Creative or any of the Plans to

the tax on prohibited transactions imposed by Section 4975 of the Code or to a civil penalty assessed pursuant to Section 502(i) of ERISA.

(e) No Accumulated Funding Deficiency. None of the Creative's Pension Plans has incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived.

(f) Termination, etc. Creative has not incurred, and are not expected to incur, directly or indirectly, any liability to the Pension Benefit Guaranty Corporation (the "PBGC") with respect to the Creative Pension Plan. The PBGC has not instituted proceedings to terminate the Creative Pension Plan, nor has it notified Creative, either formally or informally, of its intention to institute any such proceedings.

(g) Reportable Events. There have not been, with respect to any of the Plans, any "reportable events", as such term is defined in Section 4043(b) of ERISA.

(h) Multiemployer Plans. Creative has not ever maintained or contributed to, or been obligated or required to contribute to, a "multiemployer plan", as such term is defined in Section 3(37) of ERISA.

(i) Contributions; Benefits. Creative has paid in full all amounts which were required to have been paid by them on or prior to the date hereof as contributions to the Creative Pension Plans. The current value of all accrued benefits under Creative Pension Plans did not, as of the latest

valuation date thereof, exceed the then current value of the assets of such Creative Pension Plan allocable to such accrued benefits, based upon the actuarial assumptions then being utilized with respect thereto.

(j) Claims. There is not pending, and to the best of the knowledge of Creative or the Shareholders, there is not threatened, any claims against any of the Plans or any fiduciary thereof (other than claims for benefits made in the ordinary course).

2.21. Systems and Software. Creative and its subsidiaries owns or has the right to use pursuant to lease, license, sublicense, agreement, or permission all computer hardware, software and information systems necessary for the operation of the businesses of Creative and its subsidiaries as presently conducted (collectively, "Systems"). Each System owned or used by Creative or its subsidiaries immediately prior to the Effective Time will be owned or available for use by TTIS, the Subsidiary or their subsidiaries on identical terms and conditions immediately subsequent to the Effective Time. With respect to each System owned by a third party and used by Creative or its subsidiaries pursuant to lease, license, sublicense, agreement or permission: (a) the lease, license, sublicense, agreement or permission covering the System is legal, valid, binding, enforceable, and in full force and effect; (b) the lease, license, sublicense, agreement or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the Effective Time;

(c) no party to any such lease, license, sublicense, agreement or permission is in breach or default, and no event has occurred which with notice or lapse of time would constitute a breach or default, and permit termination, modification or acceleration thereunder; (d) no party to any such lease, license, sublicense, agreement or permission has repudiated any provision thereof; (e) neither Creative nor its subsidiaries have granted any sublicense, sublease or similar right with respect to any such lease, license, sublicense, agreement or permission; (f) use and continued use of such Systems by Subsidiary and its affiliates will not interfere with, infringe upon, misappropriate, or otherwise come into conflict with, any intellectual property rights of third parties as a result of the continued operation of its business as presently conducted. Schedule 2.21 is a complete and correct list and summary of all Systems.

2.22. Environmental Matters. Creative and each of its subsidiaries has obtained and is in compliance with the terms and conditions of all required permits, licenses, registrations and other authorizations required under Environmental Laws (as hereinafter defined). No asbestos in a friable condition, equipment containing polychlorinated biphenyls, leaking underground or above-ground storage tanks are contained in or located at any facility currently, or was contained or located at any facility previously owned, leased or controlled by Creative or any of its subsidiaries. Creative has not released, discharged or disposed of on, under or about any facility currently or previously owned, leased or controlled by

the Company or any of its subsidiaries, any Hazardous Substance (as hereinafter defined), and to the best of Creative's knowledge, no third party has released, discharged or disposed of on, under or about any facility currently or previously owned, leased or controlled by Creative or any of its subsidiaries, and Hazardous Substances (as hereinafter defined). Creative and each of its subsidiaries is in compliance with all applicable Environmental Laws. Creative has fully disclosed to TTIS all past and present noncompliance with, or liability under, Environmental Laws, and all past discharges, emissions, leaks, releases or disposals by it of any substance or waste regulated under or defined by Environmental Laws that have formed or could reasonably be expected to form the basis of any claim, action, suit, proceeding, hearing or investigation under any applicable Environmental Laws. Neither Creative nor any of its subsidiaries has received notice of any past or present events, conditions, circumstances, activities, practices, incidents, actions or plans of Creative or its subsidiaries that have resulted in or threaten to result in any common law or legal liability, or otherwise form the basis of any claim, action, suit, proceeding, hearing or investigation under, any applicable Environmental Laws. For purposes of this Section 2.22, (a) "Environmental Laws: mean applicable federal, state, local and foreign laws, regulations and codes relating in any respect to pollution or protection of the environment and (b) "Hazardous Substances" means any toxic, caustic or otherwise dangerous substance (whether or not regulated under federal, state or local environmental statutes,

rules, ordinances, or orders), including (i) "hazardous substance" as defined in 42 U.S.C. Section 9601, and (ii) petroleum products, derivatives, byproducts and other hydrocarbons.

2.23. Certain Business Matters. Except as is set forth in Schedule 2.23, (a) Creative is not a party to or bound by any distributorship, dealership, sales agency, franchise or similar agreement which relates to the sale or distribution of any of the products and services of the Business, (b) Creative has no sole-source supplier of significant goods or services (other than utilities) with respect to which practical alternative sources are not available on comparable terms and conditions, (c) there are no pending or, to the best knowledge of the Shareholders, threatened labor negotiations, work stoppages or work slowdowns involving or affecting the Business, and no union representation questions exist, and there are no organizing activities, in respect of any of the employees of Creative, (d) the product and service warranties given by Creative or by which it is bound (complete and correct copies or descriptions of which have heretofore been delivered by Creative to TTIS) entail no greater obligations than are customary in the Business, (e) neither Creative nor the Shareholders is a party to or bound by any agreement which limits its or his, as the case may be, freedom to compete in any line of business or with any person, or which is otherwise materially burdensome to Creative or the Shareholders, and (f) Creative is not a party to or bound by any agreement in which any officer, director or stockholder of

Creative (or any affiliate of any such person) has, or had when made, a direct or indirect material interest.

2.24. Certain Contracts. Schedule 2.24 is a complete and correct list of all material contracts, commitments, obligations and understandings which are not set forth in any other Schedule delivered hereunder and to which Creative is a party or otherwise bound, except for (a) purchase orders from vendors or customers and (b) each of those which (i) were made in the ordinary course of business and (ii) either (A) are terminable by Creative (and will be terminable by Subsidiary) without liability, expense or other obligation on 30 days' notice or less, or (B) may be anticipated to involve aggregate payments to or by Creative of $5,000 (or the equivalent) or less calculated over the full term thereof, and (C) are not otherwise material to the Business or Creative. Complete and correct copies of all contracts, commitments, obligations and undertakings set forth on any of the Schedules delivered pursuant to this Agreement have been furnished by Creative to TTIS. Except as expressly stated on any of such Schedules, (1) each of agreements listed on Schedule 2.24 is in full force and effect, no person or entity which is a party thereto or otherwise bound thereby is in material default thereunder, and no event, occurrence, condition or act exists which does (or which with the giving of notice or the lapse of time or both would) give rise to a material default or right of cancellation, acceleration or loss of contractual benefits thereunder; (2) there has been no threatened cancellations thereof, and there are no outstanding

disputes thereunder; (3) none of them is materially burdensome to Creative; and (4) each of them is fully assignable without the consent, approval, order or any waiver by, or any other action of or with any individual or individuals, without the payment of any penalty, the incurrence of any additional debt, liability or obligation of any nature whatsoever or the change of any term.

2.25. Customers and Suppliers. Creative has previously provided to TTIS a complete and correct list setting forth, for the twelve months ended October 31, 1996 and seven months ended May 31, 1997, (a) the 20 largest customers of the Business and the amount for which each such customer was invoiced, and (b) the 20 largest suppliers of the Business and the amount of goods and services purchased from each such supplier. There are no (i) threatened cancellations by the aforesaid customers or suppliers with respect to the Business, (ii) outstanding disputes by such customers or suppliers with Creative and the Business, or (iii) any adverse changes in the business relationship between the Business and any such customer or supplier. The aforesaid suppliers and customers will continue their respective relationships with the Business after the Closing Date on substantially the same basis as now exists.

2.26. Business Practices and Commitments. Set forth on Schedule 2.26 is a description of (a) Creative's rebate and volume discount practice, and obligations, (b) Creative's allowance and customer return practice and obligations, (c) Creative's co-op advertising and other promotional practices, (d) Creative's warranty practices and obligations, (e) price

protection agreements, and (f) return policies and historical return rates, as each of the foregoing relate to Creative's customers and suppliers.

2.27. Approvals/Consents. Except as set forth on Schedule 2.27, Creative currently holds all governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises which are necessary for the operation of the Business, all of which are in full force and effect and are transferable to Subsidiary without the payment of any penalty, the incurrence of any additional debt, liability or obligation of any nature whatsoever or the change of any term. Schedule 2.27 is a complete and correct list of all such governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises. No material violations of the terms thereof have heretofore occurred or are known by the Shareholders to exist as of the date of this Agreement.

2.28. Information as to Creative. None of the representations or warranties made by the Shareholders in this Agreement is, or contained in any of the Creative Documents to be executed and delivered hereto will be, false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein contained not misleading.

2.29. Poolability. Except as set forth on Schedule 2.29:

(a) None of Creative nor the Shareholders own or will have, since the date two years prior to the Effective Date, owned any shares of TTIS Common Stock, nor shall Creative have been a subsidiary or a division of another entity since the date two years prior to the Closing date.

(b) Creative has no equity investments or rights to purchase equity investments of any kind in TTIS other than as pursuant to this Agreement and the other agreements referenced herein; and

(c) Creative has not disposed of a significant amount of assets other than in the ordinary course of business since the date two years prior to the Closing Date. The equity transactions and the capital stock transactions for Creative and for each Shareholder since the date two years prior to the date hereof Closing Date are set forth on Schedule 2.29.

2.30. Securities Act Representation. Each Shareholder is acquiring the TTIS Common Stock solely for investment purposes, with no intention of distributing or reselling any such stock or any interest therein. Each Shareholder is aware that the TTIS Common Stock will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and that neither the TTIS Common Stock nor any interest therein may be sold, pledged, or otherwise transferred

unless the TTIS Common Stock is registered under the Securities Act or qualifies for an exemption under the Securities Act.

3. Representations and Warranties as to TTIS and Subsidiary. TTIS and Subsidiary, jointly and severally, represent and warrant to Creative and the Shareholders as follows:

3.1. Organization, Standing and Power. Each of TTIS and Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and corporate authority to (i) own, lease and operate its properties, (ii) carry on its business as currently conducted by it and (iii) execute and deliver, and perform under this Agreement and each other agreement and instrument to be executed and delivered by it pursuant hereto. Except as set forth on Schedule 3.1, there are no states or jurisdictions in which the character and location of any of the properties owned or leased by TTIS or Subsidiary, or the conduct of their business makes it necessary for either of them to qualify to do business as a foreign corporation, where the failure to so qualify would have a material adverse effect on the business, operations or financial condition of TTIS or Subsidiary. True and complete copies of the Certificates of Incorporation of TTIS and of Subsidiary, and of the By-Laws of TTIS and of Subsidiary, as amended to date, have heretofore been furnished to Creative. The minute books of TTIS and of Subsidiary contain complete and accurate records of all meetings and other corporate actions of their respective stockholders and

Board of Directors (including committees of its Boards of Directors).

3.2. Interests in Other Entities. Schedule 3.2 sets forth a true and complete list of all direct or indirect subsidiaries of TTIS (other than the Subsidiary) that are material to the financial condition of TTIS and it subsidiaries, together with the jurisdiction of incorporation of each such subsidiary and the percentage of each such subsidiary's outstanding capital stock owned by TTIS or another of TTIS's subsidiaries. Each of such subsidiaries are duly organized corporations, validly existing and in good standing under the laws of the jurisdiction of its respective incorporation (as well as all applicable foreign jurisdictions necessary to its business operations) and have the requisite corporate power and authority and governmental authority to own, operate or lease the properties that each purports to own, operate or lease and to carry on its business as it is now being conducted.

3.3. Capitalization. (a) The authorized capital stock of TTIS consists of 15,000,000 shares of TTIS Common Stock and 5,000,317 shares of Preferred Stock, par value $.01 per share (of which 317 shares of Series A Preferred Stock, $1.00 par value per share, are outstanding). As of the date hereof, (i) 7,847,455 shares of TTIS Common Stock are issued and outstanding, all of which are duly authorized, validly issued, fully paid and nonassessable, (ii) 1,100,311 shares of TTIS Common Stock are issuable upon exercise of options and (iii) 2,337,234 shares of TTIS Common Stock are reserved for future issuance upon exercise

of outstanding common stock purchase warrants. There is no personal liability, and there are no preemptive rights with regard to the capital stock of TTIS, and no right-of-first refusal or similar rights with regard to such capital stock. All of the shares of TTIS Common Stock issuable in connection with the Merger will be offered, issued and sold by TTIS in full compliance with applicable federal and state securities laws.

(b) The outstanding shares of capital stock of each of the subsidiaries of TTIS, including Subsidiary, are duly authorized, validly issued, fully paid and nonassessable, and, except as set forth in the SEC Reports (defined in Subsection 3.3 hereof) on Schedule 3.3, such shares are owned by TTIS, directly or indirectly, free and clear of all security interests, liens, adverse claims, pledges, agreements, limitations on TTIS's voting rights, charges and other encumbrances of any nature whatsoever. Except as noted or on Schedule 3.3, TTIS owns all issued and outstanding shares of capital stock of each Subsidiary and there are no options, warrants or similar right outstanding with respect to shares of capital stock of any subsidiary.

3.4. Authority. The execution and delivery by TTIS and Subsidiary of this Agreement and of each agreement to be executed and delivered by either of them pursuant hereto (collectively, the "TTIS Documents"), the performance by each of them of its 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 TTIS and Subsidiary, and TTIS and Subsidiary have all necessary corporate power and corporate authority with respect thereto. This Agreement is, and when executed and delivered by TTIS and Subsidiary each other TTIS Document will be, the valid and binding obligation of TTIS or Subsidiary, as the case may be to the extent it is a party thereto, in accordance with the respective terms, thereof, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and subject to the rules of law governing (and all limitations on) specific performance, injunctive relief, and other equitable remedies.

3.5. Noncontravention. Except as set forth on Schedule 3.5, neither the execution and delivery by TTIS or Subsidiary of any TTIS Document, nor the consummation of any of the transactions contemplated hereby or thereby, nor the performance by either of them of any of its respective obligations 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 Certificates of Incorporation or By-Laws of either TTIS or Subsidiary, 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, either of them, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which either of them is a party or by which either of them or

their respective assets may be bound, 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 either of them, or (d) result in the creation or imposition of any lien, adverse claim, restriction, charge or encumbrance upon any of their assets, or (e) interfere with or otherwise adversely affect the ability of TTIS or Subsidiary to carry on its business on substantially the same basis as is now conducted by it.

3.6. Absence of Litigation. Except as may be disclosed in the SEC Reports (defined in Subsection 3.8 hereof) or as set forth in Schedule 3.6 hereof, there are no claims, actions, suits, proceedings or investigations pending or, to the knowledge of TTIS and Subsidiary, threatened against or relating to TTIS, Subsidiary, this Agreement, the transactions contemplated hereby, or any properties or assets of TTIS or Subsidiary. Neither TTIS nor any of its subsidiaries (including the Subsidiary), nor any of their respective properties is subject to any order, writ, judgment, injunction, decree, determination or award which, if enforced, would have a material adverse effect on the business, the results of the operations, cash flows or financial condition of TTIS separately or of TTIS and its subsidiaries taken as a whole.

3.7. ERISA.

(a) Plans. Schedule 3.7 lists TTIS's "employee pension benefit plan" ("TTIS Pension Plan"), as such

term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and TTIS's "welfare benefit plan" (collectively called "TTIS Welfare Plans") as such term is defined in Section 3(1) of ERISA, which is maintained by TTIS or to which they contribute or be obligated or required to contribute. The TTIS Pension Plans and TTIS Welfare Plans are hereinafter sometimes collectively referred to as the "Plans" and severally referred to as a "Plan".

(b) Qualification. Each TTIS Pension Plan and the trust (if any) forming a part thereof has been determined by the IRS to be qualified under Section 401(a) of the Code, and is exempt from taxation under Section 501(a) of the Code, and nothing has occurred since the date of such determination which would adversely affect such qualification.

(c) Plan Documents. TTIS has heretofore delivered to Creative and to the Shareholders, true, complete and correct copies of (i) the Plans, and all related trust agreements, (ii) all written interpretations and summary plan descriptions relating thereto, (iii) the two most recent annual reports (Form 5500 Series) and accompanying schedules which were prepared in connection with each Plan, (iii) all IRS determination letters relating to the Plans, and (iv) the two most recent actuarial evaluation reports which were prepared in connection with any of the Plans.

(d) No Prohibited Transactions. Neither TTIS, nor any of the Plans, nor any trust created thereunder, nor any trustee or administrator thereof, have engaged in a

transaction which would subject TTIS or any of the Plans to the tax on prohibited transactions imposed by Section 4975 of the Code or to a civil penalty assessed pursuant to Section 502(i) of ERISA.

(e) No Accumulated Funding Deficiency. None of the TTIS's Pension Plans has incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived.

(f) Termination, etc. TTIS has not incurred, and is not expected to incur, directly or indirectly, any liability to the Pension Benefit Guaranty Corporation (the "PBGC") with respect to the TTIS Pension Plan. The PBGC has not instituted proceedings to terminate the TTIS Pension Plan, nor has it notified TTIS, either formally or informally, of its intention to institute any such proceedings.

(g) Reportable Events. There have not been, with respect to any of the Plans, any "reportable events", as such term is defined in Section 4043(b) of ERISA.

(h) Multiemployer Plans. TTIS has not ever maintained or contributed to, or been obligated or required to contribute to, a "multiemployer plan", as such term is defined in Section 3(37) of ERISA.

(i) Contributions; Benefits. TTIS has paid in full all amounts which were required to have been paid by them on or prior to the date hereof as contributions to the TTIS Pension Plans. The current value of all accrued benefits under TTIS Pension Plans did not, as of the latest valuation date

thereof, exceed the then current value of the assets of such TTIS Pension Plan allocable to such accrued benefits, based upon the actuarial assumptions then being utilized with respect thereto.

(j) Claims. There is not pending, and to the best of the knowledge of TTIS or the Subsidiary, there is not threatened, any claims against any of the Plans or any fiduciary thereof (other than claims for benefits made in the ordinary course).

3.8. Securities and Exchange Commission Filings; Financial Statements.

(a) TTIS has filed all forms, reports, statements and documents required to be filed with the Securities and Exchange Commission ("SEC") (collectively, the "SEC Reports"), each of which has complied in form in all material respects with the applicable requirements of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, each as in effect on the date so filed. TTIS has delivered to Creative, in the form filed with the SEC (including any amendments thereto), its Registration Statement on Form SB-2, effective April 14, 1997, and its Quarterly Report on Form 10-QSB for the quarter ended April 30, 1997. None of such reports (including but not limited to any financial statements or schedules included or incorporated by reference therein) filed by TTIS, when filed (except to the extent revised or superseded by a subsequent filing with the SEC) contained any untrue statement of a material fact.

(b) Each of the consolidated financial statements contained in the SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may otherwise be indicated in the notes thereto) and each presents fairly, in all material respects, the consolidated financial position of TTIS and its subsidiaries as at the respective dates thereof and the consolidated results of its operations and cash flow position for the periods indicated.

(c) Except as and to the extent set forth on the balance sheet of TTIS and its subsidiaries as at May 31, 1997, including the notes thereto, and TTIS and its subsidiaries taken as a whole, do not have any liabilities or obligations, whether or not accrued, contingent or otherwise, that would be required to be included on a balance sheet prepared in accordance with GAAP, except for liabilities or obligations incurred in the ordinary course of business since May 31, 1997, none of which would, individually or in the aggregate, have a material adverse effect on the financial condition, or results of the operations or cash flows of TTIS and its subsidiaries, on a consolidated basis.

3.9. Stock Issuable in Merger. The Share Consideration, when issued, will be duly authorized and validly issued, fully paid and non-assessable, will be delivered hereunder free and clear of any liens, adverse claims, security interests, pledges, mortgages, charges and encumbrances of any nature whatsoever, except that the shares of TTIS Common Stock

constituting the Share Consideration will be "restricted securities", as such term is defined in the rules and regulations of the SEC promulgated under the Securities Act, and will be subject to restrictions on transfers pursuant to such rules and regulations.

3.10. Properties. Except as set forth on Schedule 3.10, TTIS and the Subsidiary have good title to all of the properties and assets, reflected on their balance sheets 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 Liens, other than Liens not yet due and payable or being contested in good faith by appropriate proceedings, and other than such Liens or imperfections of title, if any, which are not substantial in character, amount or extent and do not materially interfere with the present or continued use of such property or otherwise materially adversely affect the value or transferability thereof or otherwise materially impair the business operations of TTIS as conducted on the date hereof. All plants, structures and equipment which are utilized in the business operations of TTIS, or are material to the condition (financial or otherwise) of TTIS, are owned or leased by TTIS, are in good operating condition and repair (ordinary wear and tear excepted) and are adequate and suitable for the purposes for which they are used.

3.11. Absence of Changes. Since May 31, 1997, there have not been (a) any material adverse change (other than as is normal in the ordinary course of business, e.g., inventory

level changes) in the condition (financial or otherwise), assets, liabilities, business, prospects, results of operations or cash flows of TTIS and Subsidiary (including, without limitation, any such adverse change resulting from damage, destruction or other casualty loss, whether or not covered by insurance), (b) any waivers by TTIS of any right, or cancellation of any debt or claim, of substantial value, (c) any declarations, set asides or payments of any dividend or other distributions or payments in respect of the TTIS Common Stock, or (d) any changes in the accounting principles or methods which are utilized by TTIS or Subsidiary.

3.12. No Violation of Law. Neither TTIS nor Subsidiary is engaging in any activity or omitting to take any action as a result of which it is 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 either TTIS or Subsidiary, their respective business operations or any of their respective assets, including, but not limited to, those relating to: occupational safety and health matters; issues of 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); business practices and operations; labor practices; employee benefits; and zoning and other land use laws and regulations.

3.13. Intangibles/Inventions. Schedule 3.13 identifies (by a summary description) the TTIS Intangibles (as defined below) the ownership thereof and, if applicable, TTIS's and Subsidiary's authority for use of the same, which Schedule is complete and correct and encompasses: (A) all United States and foreign patents, trademark and trade name registrations, trademarks and trade names, brandmarks and brand name registrations, servicemarks and servicemark registrations, assumed names and copyrights and copyright registrations, owned in whole or in part or used by TTIS, and all applications therefor (collectively, the "Marks"), (B) all inventions, discoveries, improvements, processes, formulae, technology, know-how, processes and other intellectual property, proprietary rights and trade secrets relating to the business of TTIS (collectively, the "Rights") and (C) all licenses and other agreements to which TTIS is a party or otherwise bound which relate to any of the Intangibles or the Rights or TTIS's use thereof in connection with its business (collectively, the "TTIS Licenses, and together with the Marks and the Rights, the "TTIS Intangibles"). No violations of the terms of any of the aforesaid licenses and/or agreements have occurred. Except as disclosed in the SEC Reports or on Schedule 3.13, (A) TTIS owns or is authorized to use in connection with the Business all of the TTIS Intangibles; (B) no proceedings have been instituted, are pending, or to the best knowledge of TTIS, are threatened which challenge the rights of TTIS with respect to the TTIS Intangibles or their use thereof in connection with the business

of TTIS or the validity thereof and, there is no valid basis for any such proceedings; (C) neither TTIS's ownership of the TTIS Intangibles nor their use thereof by TTIS violates any laws, statutes, ordinances or regulations, or has at any time infringed upon or violated any rights of others, or is being infringed by others; (D) none of the TTIS Intangibles, or TTIS's use thereof is subject to any outstanding order, decree, judgment, stipulation or any lien, security interest or other encumbrance; and (E) TTIS has not granted any license to third parties with respect thereto.

3.14. Tax Matters.

(a) TTIS 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 made adequate provision for the payment of, Taxes shown to be due or claimed to be due on such tax returns and reports. The provisions for Taxes which are set forth on its balance sheets are adequate for all accrued and unpaid taxes of TTIS as of May 31, 1997, whether (i) incurred in respect of or measured by income of TTIS for any periods prior to the close of business on that date, or (ii) arising out of transactions entered into, or any state of facts existing, on or prior to such date. TTIS 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. TTIS 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 TTIS, 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 TTIS have not been examined by the IRS, nor has the State of Delaware or any taxing authority thereof examined any merchandize, personal property, sales or use tax returns of TTIS.

(b) TTIS (i) has not agreed to or been required to make any adjustment pursuant to Section 481(a) of the Code, (ii) has no knowledge that the IRS or any other taxing authority has proposed any such adjustment or change in accounting method, and (iii) has no application pending with any governmental authority requesting permission for any change in accounting method.

3.15. Approvals/Consents. Except as set forth on Schedule 3.15, TTIS currently holds all governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises which are necessary for the operation of its business. Schedule 3.15 is a complete and correct list of all such governmental and administrative consents, permits, appointments, approvals, licenses, certificates and franchises. No material violations of the terms thereof have heretofore occurred or are known by TTIS to exist as of the date of this Agreement.

3.16. Information as to TTIS and Subsidiary. None of the representations or warranties made by TTIS or

Subsidiary in this Agreement, or contained in any of the TTIS Documents, to be executed and delivered hereto, is or will be, false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein contained not misleading.

4. Indemnification.

4.1. Indemnification by the Shareholders. Each of the Shareholders, jointly and severally, hereby indemnifies and agrees to defend and hold harmless each of TTIS and Subsidiary from and against any and all losses, obligations, deficiencies, liabilities, claims, 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 any misrepresentation of a material fact contained in any representation of Creative and/or the Shareholders contained in, or the breach by Creative, or the Shareholders of any warranty or covenant made by any one or all of them in, any Creative Document and/or the Shareholders Document. The foregoing indemnification shall also apply to direct claims by TTIS and/or Subsidiary against the Shareholders.

4.2. Indemnification by TTIS and Subsidiary. Each of TTIS and Subsidiary, jointly and severally, indemnifies and agrees to defend and hold harmless each of Creative (before

the Effective Time) and the Shareholders from and against any and all losses, obligations, deficiencies, liabilities, claims, 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 misrepresentation of a material fact contained in any representation of TTIS and/or Subsidiary contained in, or the breach by TTIS or Subsidiary of any warranty or covenant made by either or both of them in, any TTIS Document. The foregoing indemnification shall also apply to direct claims by Creative or the Shareholders against TTIS and/or Subsidiary.

4.3. Third Party Claims. 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, the party or parties seeking such indemnification shall promptly notify the indemnifying party or parties, in writing, of such claim; 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 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 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.

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. Exclusive Remedy. The provisions of this Section 4 shall be the sole and exclusive remedy, other than equitable relief, of the parties hereto.

4.6. Limitation. Neither TTIS and Subsidiary, on the one hand, nor the Shareholders on other hand, shall be entitled to any claim for indemnification under this Section 4 until the aggregate amount of losses, for which indemnity is claimed exceeds $50,000, and once such threshold amount is met, then the indemnity shall apply to amounts over such threshold.

5. Covenants

5.1. Investigation.

(a) Between the date hereof and the Closing Date, TTIS and/or Subsidiary, on the one hand, and Creative and the Shareholders, on the other hand, may, directly and through their representatives, make such investigation of each other corporate party and their respective businesses and assets of the other corporate party or parties as each deems necessary or advisable (the entity and/or its representatives making such investigation being the "Investigating Party"), but such investigation shall not affect any of the representations and warranties contained herein or in any instrument or document delivered pursuant hereto. In furtherance of the foregoing, the Investigating Party shall have reasonable access, during normal business hours after the date hereof, to all properties, books, contracts, commitments and records of each other, and shall furnish to the other and their representatives such financial and operating data and other information as may from time to time be reasonably requested relating to the transactions contemplated by this Agreement. Each of TTIS and Subsidiary, on the one hand, and Creative and the Shareholders, on the other, and the respective management, employees, accountants and attorneys of the corporate parties shall cooperate fully with the Investigating Party in connection with such investigation.

(b) The parties hereto hereby agree that all confidential information of a party to which an Investigating Party obtains access shall be governed by and subject to all of

the terms and conditions of the confidentiality covenants set forth in the Letter of Intent dated June 6, 1997 ("Confidentiality Agreement") among various parties, including the parties hereto (with TTIS signing on behalf of Subsidiary) and Subsidiary agrees to be bound to the Confidentiality Agreement.

(c) As used in this Section, the term "Confidential Information" shall mean any and all information (verbal and written) relating to the Business, including, but not limited to, information relating to: identity and description of goods and services used; purchasing; costs; pricing; sources; machinery and equipment; technology; research, test procedures and results; customers and prospects; marketing; and selling and servicing;

(d) After the Effective Time each of the Shareholders agrees not to, at any time, directly or indirectly, use, communicate, disclose or disseminate any Confidential Information in any manner whatsoever except such disclosures which are necessary to comply with their duties as officers of the Subsidiary.

5.2. Noncompete Covenant. Except with respect to Terry's ownership of Phillips, each of the Shareholders hereby agrees after the Effective Time not to, until the first anniversary of the Effective Time directly or indirectly (A) engage or become interested in any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise)

engaged in the business then engaged in by TTIS or Subsidiary in any of the areas in which TTIS or Subsidiary then conducts business or (B) take any other action which constitutes an interference with or a disruption of TTIS or Subsidiary's operation of the Business or Subsidiary's use, ownership and enjoyment of the Assets.

5.3. Certain Activities. For purposes of clarification, but not of limitation (1) each Shareholder acknowledges and agrees that the provisions of subsection 5.2 above shall serve as a prohibition against him, during the period described therein, directly or indirectly, hiring, offering to hire, enticing away or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee, customer, prospective customer or supplier of the business of TTIS or the Subsidiary to discontinue or alter his or its relationship with the Business.

5.4. Injunctive Relief, etc. The parties hereto hereby acknowledge and agree that (i) TTIS and/or Subsidiary would be irreparably injured in the event of a breach by any of the Shareholders of any of their obligations under this Section 5, (ii) monetary damages would not be an adequate remedy for any such breach, and (iii) TTIS and/or Subsidiary shall be entitled to injunctive relief, in addition to any other remedy which it may have, in the event of any such breach. It is hereby also agreed that the existence of any claims which Shareholders may have against TTIS or the Subsidiary, whether under this Agreement

or otherwise, shall not be a defense to the enforcement by TTIS and/or Subsidiary of any of the rights under this Section 5.

5.5. Scope of Restriction. It is the intent of the parties hereto that the covenants contained in this Agreement shall be enforced to the fullest extent permissible under the laws of and public policies of each jurisdiction in which enforcement is sought (the Shareholders hereby acknowledge that said restrictions are reasonably necessary for the protection of TTIS and Subsidiary). Accordingly, it is hereby agreed that if any one or more of the provisions of subsections 5.2 or 5.3 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.

5.6. Additional Undertakings. The provisions of this subsection 5.6 shall be in addition to, and not in lieu of, any other obligations with respect to the subject matter hereof, whether arising as a matter of contract, by law or otherwise.

5.7. Consummation of Transaction. Each of the parties hereto hereby agrees to use its best 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 any of the parties hereto under this Agreement or any agreement executed and delivered pursuant hereto.

5.8. 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.

(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 TTIS and/or Subsidiary, on the one hand, and/or Creative and/or the Shareholders, on the other, or their respective legal counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement.

5.9. Accuracy of Representations. Each party hereto agrees that prior to the Effective Date he, she or it will enter into no transaction and take no action, and will use his or its best efforts to prevent the occurrence of any event (but excluding events which occur in the ordinary course of business

and events over which such party has no control), which would result in any of his or its representations, warranties or covenants contained in this Agreement or in any agreement, document or instrument executed and delivered by him or it pursuant hereto not to be true and correct, or not to be performed as contemplated, at and as of the time immediately after the occurrence of such transaction or event.

5.10. Notification of Certain Matters. Creative and the Shareholders shall give prompt notice to TTIS and Subsidiary, and TTIS or Subsidiary shall give prompt notice to Creative and the Shareholders, as the case may be, of (a) the occurrence, or nonoccurrence, or any event the occurrence, or nonoccurrence, of which would be likely to cause any representation contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time and (b) any material failure of Creative and/or the Shareholders, on the one hand, and of TTIS and/or Subsidiary, on the other, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by him or it hereunder; provided, however, that the delivery of any notice pursuant to this Subsection 5.10 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.11. Broker. Each of TTIS, Subsidiary, Creative, and the Shareholders represents and warrants to the other parties that no broker or finder was engaged or dealt with in connection with any of the transactions contemplated by this

Agreement, 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.

5.12. Merger Costs. Each party hereto shall be responsible for paying their respective costs and expenses relating to the Merger and related transactions.

5.13. No Solicitation of Transactions. Prior to the earlier of the Effective Time or the termination of this Agreement, neither Creative nor the Shareholders will, directly or indirectly, through any director, officer, employee, agent or otherwise, solicit, initiate or encourage the submission of proposals or offers from any person relating to any acquisition or purchase of all or (other than in the ordinary course of business) any portion of the Creative Common Stock, Assets or Business of, or any equity interest in, Creative, or any business combination with Creative (other than the Merger) and other than with TTIS and/or Subsidiary, participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing. Creative and the Shareholders shall immediately cease and cause to be terminated any existing discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing (other than in respect of the transaction contemplated hereby). Creative and the Shareholders shall promptly notify TTIS if any

such proposal or offer, or any inquiry or contact with any person with respect thereto, is made and shall, in any such notice to TTIS, indicate in reasonable detail the identity of the offeror and the terms and conditions of any proposal or offer.

5.14. Registration Rights. At the Closing, TTIS shall enter into a registration rights agreement substantially in the form of Exhibit D hereto (the "Registration Rights Agreement"), whereby TTIS would grant the Shareholders certain "piggyback" registration rights.

5.15. Prohibited Conduct. Each of Creative and the Shareholders, jointly and severally, covenants and agrees that, during the period from the date hereof to the Effective Time, except pursuant to the terms hereof or unless TTIS shall otherwise agree in writing, the Business shall be conducted only, and Creative shall not take any action except, in the ordinary course of business and in a manner consistent with past practice and in compliance with applicable laws; and Creative shall use its best efforts to preserve intact its Assets, the Business and the business organization of Creative, to keep available the services of the present officers, employees and consultants of Creative, and to preserve the present relationships of Creative with customers, suppliers and other persons with whom Creative has business relations. By way of illustration, and not limitation, neither Creative nor the Shareholders shall, between the date of this Agreement and the Effective Time, directly or indirectly do, or propose or commit to do, any of the following without the prior written consent of TTIS:

(a) (i) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of the Creative Common Stock, or (ii) split, combine or reclassify any of the Creative Common Stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of the Creative Common Stock, or otherwise;

(b) authorize for issuance, issue, deliver, sell or agree to commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise), pledge or otherwise encumber, any shares of Creative Common Stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities convertible securities or any other securities or equity equivalents;

(c) (i) increase the compensation payable or to become payable to any officer, director, employees or consultant of Creative, except pursuant to the terms of contracts, policies or benefit arrangements in effect on the date hereof, or (ii) grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer, other employee or consultant of Creative or any of its subsidiaries, except pursuant to the terms of contracts, policies and benefit arrangements in effect on the date hereof, or (iii) establish, adopt, enter into or amend any collective bargaining (other than in accordance with past

practice), bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any directors, officers, employees or consultants of Creative;

(d) amend the Certificate of Incorporation, By-Laws or other comparable charter or organizational documents of Creative or alter through merger, liquidation, reorganization, restructuring, or in any other fashion, the corporate structure or ownership of Creative;

(e) acquire, or agree to acquire, (i) by merging or consolidating with, or by purchasing a substantial portion of the stock or assets of, or by any other manner, any business or corporation, partnership, joint venture, association or other business organization or division thereof, or (ii) any assets that are material, individually or in the aggregate, to Creative, except purchases consistent with past practice;

(f) sell, lease, license, mortgage or otherwise encumber or subject to any lien, security interest, pledge or encumbrance or otherwise dispose of any of the Assets, except sales in the ordinary course of business consistent with past practice;

(g) permit Creative to incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Creative, guarantee any debt securities of another person, or

enter into any arrangement having the economic effect of any of the foregoing, except for short-term borrowings incurred in the ordinary course of business consistent with past practice, or (ii) permit the Shareholders to issue any guaranties of any indebtedness of Creative;

(h) except in the ordinary course of business, enter into any agreement, contract, commitment, involving a commitment on the part of Creative to purchase, sell, lease or otherwise dispose of assets or require payment by Creative in excess of $10,000;

(i) make any capital expenditures;

(j) adopt a plan of complete or partial liquidation of Creative or resolutions providing for or authorizing such a liquidation or the dissolution, merger, consolidation, restructuring, recapitalization or reorganization of Creative;

(k) cause Creative to recognize any labor union (unless legally required to do so) or enter into or amend any collective bargaining agreement;

(l) change any accounting principles used by Creative, unless required by the Financial Accounting Standards Board;

(m) make any tax election of, or settle, compromise any income tax liability of, or file any federal income tax return prior to the last day (including extensions) prescribed by law, in the case of any of the foregoing, material

to the business, financial condition or results of the operations of Creative and it s Subsidiaries, if any, taken as a whole;

(n) settle or compromise any litigation in which Creative is a defendant (whether or not commenced prior to the date of this Agreement) or settle, pay or compromise any claims not required to be paid, which payments are individually in an amount in excess of $5,000 and in the aggregate in an amount in excess of $50,000; and

(o) authorize any of, or commit or agree to take any of, the foregoing actions.

5.16. Tax Covenant. The Stockholders shall use their best efforts to cause the Merger to qualify, and will not (both before and after consummation of the Merger) take any actions which could prevent the Merger from qualifying as a reorganization under the provisions of Section 368 of the Code and the regulations promulgated thereunder. Each of TTIS and the Subsidiary will not (after the consummation of the Merger) take any actions which will prevent the Merger from qualifying as a reorganization under the provisions of Section 368 of the Code and the regulations promulgated thereunder. Each of TTIS, the Subsidiary and the Shareholders shall report the Merger as a reorganization under the provisions of Section 368 of the Code and the regulations promulgated thereunder and, to the extent permitted, on all state and local tax returns.

5.17. Pooling. Neither Creative nor the Shareholders shall take any action which would affect the likelihood of treating, for financial reporting purposes, the Merger as a pooling of interests.

6. Conditions of Merger.

6.1. Conditions to Obligations of TTIS and Subsidiary to Effect the Merger. The respective obligations of TTIS and Subsidiary to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Inventory Merger. All of the transactions to be consummated on or before the closing pursuant to that certain Agreement and Plan of Merger by and among TTIS, the Subsidiary, Inventory Management Systems, Inc. ("Inventory") and the shareholders of Inventory (the "Inventory Merger"), shall have been effected.

(b) Accuracy of Representations and Warranties. The representations and warranties of each of Creative and the Shareholders contained herein or in any Shareholders Document or Creative Document delivered by either or both of them shall have been true when made, and, in addition, shall be true in all material respects on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(c) Performance of Agreements. Each of Creative and the Shareholders, as the case may be, shall have performed, observed and complied in all material respects with

all of their obligations, covenants and agreements, and shall have satisfied or fulfilled in all material respects conditions contained in any Shareholders Document or Creative Document and required to be performed, observed or complied with, or to be satisfied or fulfilled, by Creative or the Shareholders at or prior to the Effective Date.

(d) Results of Investigation. TTIS and Subsidiary shall be satisfied with the results of any investigation of the business and affairs of Creative undertaken by them pursuant to Subsection 5.1 hereof.

(e) Pooling of Interests. TTIS shall have received an opinion from Coopers & Lybrand that the Merger will be treated, for financial reporting purposes, as a pooling of interests.

(f) Opinion of Counsel for Creative. TTIS and Subsidiary shall have received an opinion of Cowen & Owen, counsel for Creative and the Shareholders, dated the Closing Date, in substantially the form of Exhibit E hereto.

(g) Litigation. No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated hereby, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with this Agreement or any of the transactions contemplated hereby, shall have been instituted or threatened by any person or entity, and which, in the reasonable judgment of TTIS (based on the

likelihood of success and material consequences of such claim, suit, action, inquiry or proceeding), makes it inadvisable to proceed with the consummation of such transactions.

(h) Consents and Approvals. All consents, waivers, approvals, licenses and authorizations by third parties and governmental and administrative authorities (and all amendments or modifications to existing agreements with third parties) required as a precondition to the performance by Creative and the Shareholders of their respective obligations hereunder and under any agreement delivered pursuant hereto, or which in TTIS's reasonable judgment are necessary to continue unimpaired, subsequent to the Effective Time, any rights in and to the Assets and/or the Business which could be impaired by the Merger, shall have been duly obtained and shall be in full force and effect.

(i) Date of Consummation. The Merger shall have been consummated on or prior July 31, 1997, or such later date as the parties shall agree by a written instrument signed by all of them.

(j) Validity of Transactions. The validity of all transactions contemplated hereby, as well as the form and substance of all agreements, instruments, opinions, certificates and other documents delivered by Creative and the Shareholders pursuant hereto, shall be satisfactory in all material respects to TTIS and its counsel.

(k) No Material Adverse Change. Except as otherwise provided by this Agreement, there shall not have

occurred after the date hereof, in the reasonable judgment of TTIS, a material adverse change in the financial or business condition of Creative and its subsidiaries, taken as a whole.

(l) Satisfaction of Officer/Director Loans from Creative. All loans or other indebtedness due from the Shareholders to Creative, as reflected on the Balance Sheet, shall have been paid, irrespective of any other due date contained in the documents executed in connection with any such loan or indebtedness.

(m) Closing Certificate. Each of the Shareholders shall have furnished TTIS and Subsidiary with certificates, all dated the Closing Date, to the effect that all the representations and warranties of Creative and the Shareholders are true and complete and all covenants to be performed by Creative or the Shareholders at or as of the Closing have been performed and conditions to be satisfied at or as of the Closing have been waived or satisfied.

(n) Audited Financials. TTIS shall have received from Coopers & Lybrand an audit of Creative's books and records with respect to the fiscal years ended October 31, 1996 and 1995.

6.2. Conditions to Obligations of Creative and the Shareholders to Effect the Merger. The obligations of Creative and the Shareholders to effect the Merger shall be

subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Inventory Merger. All of the transactions to be consummated on or before the closing of the Inventory Merger shall have been effected.

(b) Accuracy of Representations and Warranties. The representations and warranties of TTIS and Subsidiary contained in any TTIS Documents delivered by either TTIS or Subsidiary or both of them shall have been true when made, and, in addition, shall be true in all material respects, on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(c) Performance of Agreements. Each of TTIS and Subsidiary shall have performed, observed and complied, in all material respects, with all obligations, covenants and agreements, and shall have satisfied or fulfilled in all material respects all conditions contained in any TTIS Document and required to be performed, observed or complied with, or satisfied or fulfilled, by either or both of them at or prior to the Closing Date.

(d) Opinion of Counsel for TTIS and Subsidiary. Creative and the Shareholders shall have received an opinion of Tenzer Greenblatt LLP, counsel for TTIS and Subsidiary, dated the Closing Date, in substantially the form of Exhibit F attached hereto and made a part hereof.

(e) Litigation. No order of any court or administrative agency shall be in effect which restrains or

prohibits the transactions contemplated hereby, and no claim, suit, action, inquiry, investigation or proceeding in which it will be, or it is, sought to restrain, prohibit or change the terms of or obtain damages or other relief in connection with this Agreement or any of the transactions contemplated hereby shall have been instituted or threatened by any person or entity, and which in the reasonable judgment of the Shareholders (based on the likelihood of success and material consequences of such claim, suit, action, inquiry or proceeding), makes it inadvisable to proceed with the consummation of such transactions.

(f) Consents and Approvals. All consents, waivers, approvals, licenses and authorizations by third parties and governmental and administrative authorities (and all amendments and modifications to existing agreements with third parties) required as a precondition to the performance by TTIS and Subsidiary of their respective obligations hereunder and under any agreement delivered pursuant hereto, shall have been duly obtained and shall be in full force and effect.

(g) Date of Consummation. The Merger shall have been consummated on or prior to July 31, 1997, or such later date as the parties shall agree by a written instrument signed by all of them.

(h) Validity of Transactions. The validity of all transactions contemplated hereby, as well as the form and substance of all agreements, instruments, opinions, certificates and other documents delivered by TTIS and Subsidiary pursuant

hereto, shall be satisfactory in all material respects to the Shareholders and its counsel.

(i) No material Adverse Change. There shall not have occurred after the date hereof, in the reasonable judgment of Creative or the Shareholders, a material adverse change in the financial or business condition of TTIS or Subsidiary, taken as a whole.

(j) Closing Certificate. Each of TTIS and Subsidiary shall have furnished Creative with certificates, each executed by their respective presidents, dated the Closing Date, to the effect that all the representations and warranties of TTIS or Subsidiary, as the case may be, are true and complete in all material respects and all covenants to be performed by each of TTIS or Subsidiary, as the case may be, at or as of the Closing have been performed in all material respects and conditions to be satisfied at or as of the Closing have been waived or satisfied in all material respects.

7. The Closing. Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Section 8, the closing of the Merger (the "Closing") will take place at the offices of Tenzer Greenblatt LLP as promptly as practicable (and in any event within five business days) after satisfaction or waiver of the conditions set forth in Section 6 but in no event later than July 31, 1997 (the "Closing Date"); or such later date as shall have been fixed by a written instrument signed by the parties.

7.1. Deliveries by TTIS and Subsidiary at the Closing. At the Closing, TTIS and Subsidiary shall deliver the following:

(a) stock certificate(s), representing the Share Consideration registered in the names of the Shareholders;

(b) copies of (i) (A) resolutions adopted by the Board of Directors of TTIS authorizing TTIS to execute and deliver the TTIS Documents to which it is a party and to perform its obligations thereunder, upon the terms and subject to the conditions set forth therein and authorizing Subsidiary to execute and deliver the TTIS Documents to which it is a party, to perform its obligations thereunder, and to effect the Merger upon the terms and subject to the conditions set forth therein, duly certified by the Secretary or Assistant Secretary of Subsidiary.

(c) Confirmation, in the form of satisfactory to the parties hereto, from the States of Delaware or Virginia that the Agreement of Merger of Creative with and into the Subsidiary has been filed with such Secretaries of State; together with a copy of the executed form of such agreement.

(d) Certificates of the Secretary or Assistant Secretary of each of TTIS and Subsidiary certifying as to the incumbency and specimen signatures of the officers of TTIS and Subsidiary executing the TTIS Documents on behalf of such corporation.

7.2. Deliveries by Creative and/or the Shareholders at the Closing. At the Closing, Creative and/or the

Shareholders, as applicable, shall deliver to TTIS and/or Subsidiary, as the case may be, the following:

(a) stock certificate(s) representing the Creative Common Stock, duly executed by the Shareholders;

(b) a copy of the resolutions of the Board of Directors of Creative, and the written consent of the Shareholders, authorizing Creative to execute and deliver the Creative Documents, to perform its obligations thereunder and to effect the Merger, duly certified by the Secretary or assistant Secretary of Creative;

(c) Certificates of the Secretary or Assistant Secretary of Creative certifying as to the incumbency and specimen signatures of the officers of Creative executing the Creative Documents on behalf of such corporation;

7.3. Other Deliveries. In addition, the parties shall execute and deliver such other documents as may be required by this Agreement and as either of them or their respective counsel may reasonably require in order to document and carry out the transactions contemplated by this Agreement.

8. Termination, Amendment and Waiver.

8.1. Termination. This Agreement may be terminated at any time prior to the Effective Time:

(a) By mutual consent of the Boards of Directors of TTIS, Subsidiary and Creative; or

(b) By TTIS and Subsidiary, on the one hand, or Creative and the Shareholders, on the other hand, if (i) the Merger shall not have been consummated by July 31, 1997, or such

later date as the parties shall have fixed by written instrument signed by the parties hereto; provided, however, that the right to terminate this Agreement under this Subsection shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date or (ii) a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to vacate), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

(c) By TTIS and Subsidiary, on the one hand, or by Creative and the Shareholders, on the other hand, if, in the reasonable judgment of TTIS and Subsidiary or Creative and the Shareholders, as the case may be, (and provided such parties are not then in material breach of their respective obligations hereunder), it shall have been determined that the transaction contemplated by this Agreement has become inadvisable or impracticable by reason of the institution or threat by state, local or federal governmental authorities or by any other person of material litigation or proceedings against TTIS or Creative.

(d) By TTIS and Subsidiary, on the one hand, or Creative and the Shareholders, on the other hand, if, in the reasonable judgment of TTIS and Subsidiary or Creative or the Shareholders, as the case may be (and provided such parties are

not then in material breach of their respective obligations hereunder), it shall be determined that the business or assets or financial condition of the other unrelated corporate party hereto has been materially and adversely affected since May 31, 1997, whether by reason of changes, developments or operations in the normal course of business or otherwise.

8.2. Effect of Termination. In the event of the termination of this Agreement as provided in this Section 8, this Agreement shall, forthwith become null and void and there shall be no liability on the part of any party hereto and nothing herein shall relieve any party from liability for any wilful breach hereof. Such termination shall not, however, affect the obligations of the parties under the Confidentiality Agreement.

8.3. Fees and Expenses. Each of the parties shall be responsible for, and shall pay, its or his respective fees and expenses incurred by such party in connection with the Merger and the transactions contemplated by this Agreement.

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

8.5. Waiver. At any time prior to the Effective Time, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or

waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby.

9. Survival of Representations and Warranties.

Each of the parties hereto hereby agrees that: (i) representations and warranties made by or on behalf of him or it in this Agreement or in any document or instrument delivered pursuant hereto with respect to tax matters, environmental compliance and ERISA matters shall survive the respective statutes of limitations for such matters; and (ii) all other representations or warranties made herein shall survive the Closing Date for a period of one (1) year after the Effective Time.

10. General Provisions.

10.1. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered, if delivered personally, or one (1) business day after having been deposited with courier, if sent by overnight courier, or being sent by telecopy, if sent by telecopy (receipt confirmed), or three (3) business days after having been mailed, if mailed by registered or certified mail (postage prepaid, return receipt requested), to the parties 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 TTIS or Subsidiary:

Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attn: Ryan A. Brant
Chief Executive Officer
Facsimile #:

with a copy to:

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attn: Robert J. Mittman, Esq.
Facsimile #: (212) 885-5001

If to Creative or the Shareholders:

Creative Alliance Group, Inc.
2900 Polo Parkway
Suite 104
Richmond, Virginia 23113
Attn: David Clark
Facsimile #

with a copy to:

Cowan & Owen, P.C.
1930 Hugenot Road
P.O. Box 35655
Richmond, Virginia 23235-0655
Attn: Michael C. Hall, Esq.
Facsimile #:

10.2. 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.

10.3. Entire Agreement. This Agreement, the Confidentiality Agreement, the Creative Documents, the Shareholder Documents and the TTIS Documents constitute the entire agreement, and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

10.4. No Assignment. This Agreement shall not be assigned by operation of law or otherwise, and any assignment shall be null and void. 10.5. Headings. Headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

10.6. 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. Each of TTIS, Subsidiary, Creative and the Shareholders hereby irrevocably and unconditionally consents to submit to the jurisdiction of the courts of the State of New York and of the United States located in the County of New York, State of New York for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in such courts and agrees not to plead or claim that such litigation brought in any such courts has been brought in an inconvenient forum.

10.7. Attorneys' Fees. In the event of any dispute arising out of the subject matter of this Agreement, the prevailing party shall recover, in addition to any other damages assessed, its reasonable attorneys' fees and costs incurred in litigating, arbitrating, or otherwise settling or resolving such dispute.

10.8. 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.

[end of page]

IN WITNESS WHEREOF, each of Take-Two Interactive Software, Inc., Subsidiary, Creative Management Systems, Inc., by their respective officers thereunto duly authorized, the Shareholders, individually, have caused this Agreement to be executed as of the date first written above.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan Brant

TAKE TWO ACQUISITION CORP.

By: /s/ Ryan Brant

CREATIVE ALLIANCE GROUP, INC.

By: /s/

By: /s/ David Clark

David Clark

By: /s/ Terry Phillips

Terry Phillips

By: /s/ Russell Howard

Russell Howard

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EMPLOYMENT AGREEMENT

AGREEMENT dated as of July 31, 1997 between Inventory Management Systems, Inc., a Delaware corporation (the "Employer" or the "Company"), and David Clark (the "Employee").

W I T N E S S E T H :

WHEREAS, the Employer desires to employ the Employee as its President 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 serve Employer for a three-year period commencing as of the date of this Agreement (the "Effective Date") (such period being herein referred to as the "Initial Term," and any year commencing on the Effective Date or any anniversary of the Effective Date being hereinafter referred to as an "Employment Year") unless earlier terminated pursuant to Section 6 hereof. After the Initial Term and subject to the earlier termination pursuant to Section 6 hereof, this Agreement shall be renewable automatically for successive one year periods (each such period being referred to as a "Renewal Term"), unless more than thirty days prior to the expiration of the Initial Term or any Renewal Term, either the Employee or the Company give written notice that employment will not be renewed.

2. Employee Duties.

(a) During the term of this Agreement, the Employee shall have the duties and responsibilities of President 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 2900 Polo Parkway, 2nd floor, Midlothian, VA 23113, although the Employee may be required to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

3. Compensation.

(a) During the term of this Agreement, the Employer shall pay the Employee a salary (the "Salary") at a rate of $120,000 per annum in respect of each Employment Year, payable in equal installments bi-weekly, or at such other times as may mutually be agreed upon between the Employer and the Employee. Such Salary may be increased from time to time at the discretion of the Board.

(b) In addition to the foregoing, the Employee shall be paid an amount of incentive compensation based on Net Income (as defined hereinbelow) in respect of each year during the term of this Agreement (pro rated for any partial year during the term of this Agreement) of (i) 6% of Net Income up to $500,000 and (ii) 9% of Net Income in excess of $500,000. The term "Net Income" means, for any applicable fiscal year, earnings of the Company before interest and taxes (EBIT), 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. 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 five 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 Section 3(b).

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. 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 shall be entitled to receive an automobile allowance of $750.00 per month payable in accordance with Section 3(a) above. In addition, the Employer shall be responsible (i) for providing Employee with automobile insurance as well as (ii) reimbursing Employee, upon the presentation of appropriate vouchers or tax bills, for personal property taxes incurred by the Employee, in connection with such automobile.

(c) During the term of this Agreement, the Employee will be entitled to the number of paid holidays, personal days off, vacation days and sick leave days in each

calendar year as are determined pursuant to the Company's Vacation 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.

5. Travel Expenses. All travel and other expenses incident to the rendering of services reasonably incurred on behalf of the Company by the Employee during the term of this Agreement shall be paid by the Employer. If any such expenses are paid in the first instance by the Employee, the Employer shall reimburse him therefor on presentation of appropriate receipts for any such expenses.

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

(a) By action taken by the Board, 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 Section 6(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 Section 3(b) hereof through the effective date of termination, and as provided in Sections 5 and 8, and the Employee shall have no further obligations or duties to the Employer, except as provided in Section 7.

(b) In the event of (i) the death of the Employee or (ii) by action of the Board and the inability of the Employee, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 180 consecutive days, during which 180 day period Salary and any other benefits hereunder shall not be suspended or diminished. Upon any termination of the Employee's employment under this Section 6(b), the Employer shall have no further obligations or duties to the Employee, except as provided in Sections 5 and 8.

(c) In the event that Employee's employment with the Employer is terminated by action taken by the Board without cause, including termination upon a Change in Control (as hereinafter defined), then the Employer shall have no further obligation or duties to Employee, except for payment of the amounts described below and as provided in Sections 5 and 8, and Employee shall have no further obligations or duties to the Employer, except as provided in Section 7. In the event of such termination, the Employer shall continue to pay Salary to the Employee for one year following the effective date of termination.

(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 substan-

tially 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, monetarily or otherwise, (iii) the conviction of the Employee of a felony, (iv) gross negligence on the part of the Employee or (v) other misconduct of the Employee in the performance of his duties hereunder. 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) or (v) above.

(e) For purposes of this Agreement, a "Change in Control" shall be deemed to occur, unless previously consented to in writing by the Employee, upon the Parent owning less than a majority of the issued and outstanding capital stock of the Company.

7. Confidentiality; Noncompetition. In addition to and supplementing the covenants contained in Sections 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 of the Agreement and Plan of Merger (the "Merger Agreement"), dated _____, 1997, among the Parent, Take-Two Acquisition Corp., Inventory Management Systems, Inc. and Employee, the Employer and Employee agree as follows:

(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 and the Parent. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company, 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 Section 7(a), including, but not limited to, information relating to: existing and proposed projects, source codes, object codes, forecasts, assumptions, trade secrets, personnel lists, financial information, research projects, services, pricing, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. The Employee agrees that he will not, at any time during or after the termination of his 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 or Parent and that Employee agrees that all confidential information shall be the sole property of the Company.

(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 Commonwealth of Virginia 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) competitive with the Parent's or the Company's business activities; provided, however, that notwithstanding anything to the contrary contained herein, the Employee shall not be subject to the one (1) year prohibition set forth above in the event that he is terminated by the Company without cause.

(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 or Company's business activities including, without limitation, the solicitations of the Parent's or Company's customers, or persons listed on the personnel lists of the Parent 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 or Company; provided, however, that notwithstanding anything to the contrary contained herein, the Employee shall not be subject to the one (1) year prohibition set forth above in the event that he is terminated by the Company without cause.

(d) For purposes of clarification, but not of limitation, the Employee hereby acknowledges and agrees that the provisions of subparagraphs 7(b) and (c) above shall serve as a prohibition against him, during the period referred to therein, directly or indirectly, hiring, offering to hire, enticing, soliciting or in any other manner persuading or attempting to persuade any officer, employee, agent, lessor, lessee, licensor, licensee or customer who has been previously contacted by either a representative of the Parent or Company, including the Employee, to discontinue or alter his or its relationship with the Parent or 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 or Parent which are in the possession of the Employee including all copies thereof, shall be promptly returned to the Company.

(f) (i) The Employee agrees that all processes, intellectual property rights, technologies and inventions ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, relating to the

business of the Parent or Company, or conceived, developed, invented or made by him during his employment by Employer shall belong to the Company. 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 United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship;

(ii) If any Invention is described in a patent or copyright application or is disclosed to third parties, directly or indirectly, by the Employee within two years after the termination of his employment by the Company, it is to be presumed that the Invention was conceived or made during the period of the Employee's employment by the Company; and

(iii) The Employee agrees that he will not assert any rights to any Invention as having been made or acquired by him prior to the date of this Agreement, except for Inventions, if any, disclosed to the Company in writing prior to the date hereof.

(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 during the term 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 7, (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 Section 7(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 7, 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 Section 7(h) and 7(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 7 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.

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

8. 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, amounts of judgments and amounts of any settlements, provided that such expenses are agreed to in advance by the Employer. The foregoing indemnification obligation is

independent of any similar obligation provided in the Employer's Certificate of Incorporation or Bylaws.

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

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

To the Employer:

Inventory Management Systems, Inc.
2900 Polo Parkway, Suite 104
Midlothian, Virginia 23113
Attention: Ryan A. Brant
Chairman
Telecopier:

With copies to:

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

and

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attention: Kenneth Selterman, Esq.
Telecopier: 212-885-5001

To the Employee:

David Clark
2900 Polo Parkway, 2nd floor
Midlothian, VA 23113
Telecopier:

With a copy to:

Cowan & Owen
1930 Hugenot Road
Post Office Box 35655
Richmond, Virginia 23235
Attention: Michael C. Hall, Esq.
Telecopier:

(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; provided that the provisions of Sections 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 of the Merger Agreement shall also apply to Employee. 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 hereby warrants and represents as follows:

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

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

(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.

INVENTORY MANAGEMENT SYSTEMS, INC.

By: /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

/s/ David Clark

David Clark

CONSULTING AGREEMENT

CONSULTING AGREEMENT, dated July 31, 1997, by and between Inventory Management Systems, Inc., a Delaware corporation ("Company"), and Terry Phillips ("Consultant"). In consideration of the mutual covenants and promises herein contained, the parties hereto agree as follows:

1. Engagement. The Company agrees to engage Consultant as a consultant, and Consultant accepts such engagement, under and subject to the terms and conditions hereinafter set forth.

2. Term. Subject to earlier termination as hereafter provided, this Agreement shall have an original term of three years commencing on the date hereof (the "Effective Date") and shall be automatically extended thereafter for successive terms of one year, unless either party provides notice more than thirty days prior to the expiration of the original or any extension term that the Agreement is not to be extended.

3. Duties. During the term of this Agreement, Consultant shall perform such duties as are assigned to him from time to time by the Board of Directors (the "Board") and/or the President of the Company commensurate with his experience and reputation. In performing his duties hereunder, Consultant shall devote such time as the Company and Consultant mutually agree to be necessary to perform his duties.

4. Compensation. During the term of this Agreement, Consultant shall be paid an amount of incentive compensation based on Net Income (as hereinafter defined) in respect of each year during the term of this Agreement (pro rated for any partial year during the term of this Agreement) of (i) 6% of Net Income up to $500,000 and (ii) 9% of Net Income in excess of $500,000. The term "Net Income" means, for any applicable fiscal year, the earnings of the Company before interest and taxes ("EBIT"), 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, excluding the effect of Parent (as hereinafter defined) company charges. 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 Consultant within five 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 Section 3(b).

5. Expenses. All travel and other expenses incident to the rendering of services reasonably incurred on behalf of the Company by the Consultant during the term of this Agreement shall be paid by the Company. If any such expenses are paid in the first instance by the Consultant, the Company shall reimburse him

therefor on presentation of appropriate receipts for any such expenses.

6. Termination. Notwithstanding the provisions of Section 1 hereof, the Consultant's engagement with the Company may be earlier terminated as follows:

(a) By action taken by the Board, the Consultant may be discharged for cause (as hereinafter defined), effective as of such time as the Board shall determine. Upon discharge of the Consultant pursuant to this Section 6(a), the Company shall have no further obligation or duties to the Consultant, except for payment of Salary through the effective date of termination, and as provided in Sections 4 and 8, and the Consultant shall have no further obligations or duties to the Company, except as provided in Section 7.

(b) In the event of (i) the death of the Consultant or (ii) by action of the Board and the inability of the Consultant, by reason of physical or mental disability, to continue substantially to perform his duties hereunder for a period of 180 consecutive days, during which 180 day period incentive compensation hereunder shall not be suspended or diminished. Upon any termination of the Consultant's engagement under this Section 6(b), the Company shall have no further obligations or duties to the Consultant, except as provided in Sections 4 and 8.

(c) In the event that Consultant's engagement with the Company is terminated by action taken by the Board without cause, including termination upon a Change in Control (as hereinafter defined), then the Company shall have no further obligation or duties to Consultant, except for payment of the incentive compensation through the effective date of

termination and as provided in Sections 4 and 8, and Consultant shall have no further obligations or duties to the Company, except as provided in Section 7.

(d) For purposes of this Agreement, the Company shall have "cause" to terminate the Consultant's employment under this Agreement upon (i) the failure by the Consultant to substantially perform his duties under this Agreement, (ii) the engaging by the Consultant in criminal misconduct (including embezzlement and criminal fraud) which is materially injurious to the Company, monetarily or otherwise, (iii) the conviction of the Consultant of a felony, (iv) gross negligence on the part of the Consultant or (v) other misconduct of the Consultant in the performance of his duties hereunder. The Company shall give written notice to the Consultant, which notice shall specify the grounds for the proposed termination and the Consultant shall be given thirty (30) days to cure if the grounds arise under clauses (i) or (v) above.

(e) For purposes of this Agreement, a "Change in Control" shall be deemed to occur, unless previously consented to in writing by the Consultant, upon the Parent owning less than a majority of the issued and outstanding capital stock of the Company.

7. Confidentiality; Noncompetition. In addition to and supplementing the covenants contained in Sections 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 of the Agreement and Plan of Merger (the "Merger Agreement"), dated _____, 1997, among the Parent, Take-Two Acquisition Corp., Inventory Management Systems, Inc. and Consultant, the Company and Consultant agree as follows:

(a) The Company and the Consultant acknowledge that the services to be performed by the Consultant under this Agreement are unique and extraordinary and, as a result, the Consultant will be in possession of confidential information relating to the business practices of the Company and the Parent. The term "confidential information" shall mean any and all information (verbal and written) relating to the Company, the Parent or any of their respective affiliates, or any of their respective activities, other than such information which can be shown by the Consultant to be in the public domain (such information not being deemed to be in the public domain merely because it is embraced by more general information which is in the public domain) other than as the result of breach of the provisions of this Section 7(a), including, but not limited to, information relating to: existing and proposed projects, source codes, object codes, forecasts, assumptions, trade secrets, personnel lists, financial information, research projects, services, pricing, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. The Consultant agrees that he will not, at any time during or after the termination of his 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 or Parent and that Consultant agrees that all confidential information shall be the sole property of the Company.

(b) Except for the Consultant's ownership of Phillips Sales, Inc., the Consultant hereby agrees that he shall not, during the period of his engagement and for a period of one (1) year following such engagement, directly or indirectly, within any county (or adjacent county) in the Commonwealth of Virginia or 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 Consultant's engagement or on the date of termination of the Consultant's engagement, engage, have an interest in or render any services to any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venturer, employee, consultant or otherwise) competitive with the Company's business activities; provided, however, that notwithstanding anything to the contrary

contained herein, the Consultant shall not be subject to the one (1) year prohibition set forth above in the event that he is terminated by the Company without cause.

(c) Except for the Consultant's ownership of Phillips Sales, Inc., the Consultant hereby agrees that he shall not, during the period of his engagement and for a period of one (1) year following such engagement, directly or indirectly, take any action which constitutes an interference with or a disruption of any of the Parent's or Company's business activities including, without limitation, the solicitations of the Parent's or Company's customers, or persons listed on the personnel lists of the Parent or Company. At no time during the term of this Agreement, or thereafter shall the Consultant directly or indirectly, disparage the commercial, business or financial reputation of the Parent or Company; provided, however, that notwithstanding anything to the contrary contained herein, the Consultant shall not be subject to the one (1) year prohibition set forth above in the event that he is terminated by the Company without cause.

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

(e) Upon the termination of the Consultant's engagement 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 or Parent which are in the possession of the Consultant including all copies thereof, shall be promptly returned to the Company.

(f) (i) The Consultant agrees that all processes, intellectual property rights, technologies and inventions ("Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, relating to the business of the Parent or Company, or conceived, developed, invented or made by him during his engagement by Company shall belong to the Company. The Consultant 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 United States and foreign countries; (c) sign all papers necessary to carry out the foregoing; and (d) give testimony in support of his inventorship;

(ii) If any Invention is described in a patent or copyright application or is disclosed to third parties, directly or indirectly, by the Consultant within two years after the termination of his engagement by the Company, it is to be presumed that the Invention was conceived or made during the period of the Consultant's engagement by the Company; and

(iii) The Consultant agrees that he will not assert any rights to any Invention as having been made or acquired by him prior to the date of this Agreement, except for Inventions, if any, disclosed to the Company in writing prior to the date hereof.

(g) The Company shall be the sole owner of all products and proceeds of the Consultant's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Consultant may acquire, obtain, develop or create in connection with and during the term of the Consultant's engagement hereunder, free and clear of any claims by the Consultant (or anyone claiming under the Consultant) of any kind or character whatsoever (other than the Consultant's right to receive payments hereunder). The Consultant 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 Consultant of any of his obligations under this Section 7, (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 Section 7(i) hereof, the Company shall have the right and remedy to require the Consultant 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 Consultant as the result of any transactions constituting a breach of any of the provisions of Section 7, and the Consultant hereby agrees to account for any pay over such Benefits to the Company.

(j) Each of the rights and remedies enumerated in Section 7(i) and 7(j) 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 7 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.

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

8. Indemnification. The Company shall indemnify and hold harmless the Consultant 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 a consultant to the Company, whether or not he continues to be such a consultant 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, amounts of judgments and amounts of any settlements, provided that such expenses are agreed to in advance by the Company. The foregoing indemnification obligation is independent of any similar obligation provided in the Company's Certificate of Incorporation or Bylaws.

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

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

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

To the Company:

Inventory Management Systems, Inc.
2900 Polo Parkway, Suite 104
Midlothian, Virginia 23113
Attention: Ryan A. Brant
Chairman
Telecopier:

With copies to:

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

and

Tenzer Greenblatt LLP
405 Lexington Avenue
New York, New York 10174
Attention: Robert J. Mittman, Esq.
Telecopier: 212-885-5001

To the Consultant:

Terry Phillips
2900 Polo Parkway,
2nd floor
Midlothian, VA 23113
Telecopier:

With a copy to:

Cowan & Owen
1930 Hugenot Road
P.O. Box 35655
Richmond, Virginia 23235
Attention: Michael C. Hall, Esq.
Telecopier:

(b) Parties in Interest. Consultant 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 engagement of the Consultant by the Company and contains all of the covenants and agreements between the parties with respect to such engagement in any manner whatsoever; provided that the provisions of Sections 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6 of the Merger Agreement shall also apply to Consultant. 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. Consultant 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 Company's election.

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

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

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

INVENTORY MANAGEMENT SYSTEMS, INC.

By: /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

/s/ Terry Phillips

Terry Phillips

REGISTRATION RIGHTS AGREEMENT

Registration Rights Agreement ("Agreement") dated as of July 31, 1997, among Take-Two Interactive Software, Inc., a Delaware corporation (the "Company"), and the stockholders listed on the signature pages (each a "Holder" and collectively, the "Holders").

RECITALS

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

WHEREAS, the Company issued to the Holders on the date hereof pursuant to the merger of Inventory Management Systems, Inc. and Creative Alliance Group, Inc. with and into a wholly-owned subsidiary of the Company (the "Merger") an aggregate of 900,000 shares of the Company's common stock, par value $.01 per share (the "Common Stock"), as more particularly provided for in certain Agreements and Plans of Merger dated July 10, 1997 and July 30, 1997, respectively, among the Company, its subsidiary and each of the Holders (the "Merger Agreements"); and

WHEREAS, it is a condition to the performance of the Holders' obligations under the Merger Agreements that the Company enter into this Agreement with the Holders with respect of up to an aggregate of 250,000 shares of the Common Stock held by the Holders (the "Shares").

NOW, THEREFORE, in consideration of the foregoing recitals and mutual covenants herein contained, the parties hereto do hereby agree as follows:

1. Piggyback Registration.

(a) If, at any time after the Company becomes eligible to file a registration statement on Form S-3, the Company proposes to prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 covering equity or debt securities of the Company, or any such securities of the Company held by its shareholders, other than in connection with a merger, acquisition, pursuant to a registration statement on Form S-4 or Form S-8 or any successor form or any registration statement which convers securities previously issued in connection with any acquisition or merger (including in connection with the acquisition of the capital stock of Gametek (UK) Limited and Alternative Reality Technologies, Inc. and certain assets of Gametek (FL), Inc.) (for purposes of this Article 1, a "Registration Statement"), the Company will give written notice of its intention to do so by certified mail ("Notice"), at least 15 days prior to the filing of each such Registration Statement, to the Holder. Upon the written request of the Holder, made within ten days after receipt of the Notice, that the Company include any of the Holder's Shares in the proposed Registration Statement, the Company shall,

as to the Holder, use reasonable efforts to effect the registration under the Securities Act of the Shares which it has been so requested to register ("Piggyback Registration"), at the Company's sole cost and expense and at no cost or expense to the Holder (other than any commission, discounts or counsel fees payable by the Holder, as further provided in Section 3(c) hereof); provided, however, that if, the Piggyback Registration is in connection with an underwritten public offering and in the written opinion of the Company's underwriter or managing underwriter of the underwriting group, if any, for such offering, the inclusion of all or a portion of the Shares requested to be registered, when added to the securities being registered by the Company or the selling shareholder(s), if any, will exceed the maximum amount of the Company's securities which can be marketed (i) at a price reasonably related to their then current market value, or (ii) without otherwise having an adverse effect on the offering, then the Company may, subject to the allocation priority set forth in the next paragraph, exclude from such offering all or a portion of the Shares which it has been requested to register.

(b) If securities are proposed to be offered for sale pursuant to such Registration Statement by other security holders of the Company and the total number of securities to be offered by the Holder and such other selling security holders is required to be reduced pursuant to a request from the underwriter or managing underwriter (which request shall be made only for the reasons and in the manner set forth above), the aggregate number of Shares to be offered by the Holder pursuant to such Registration Statement shall equal the number which bears the same ratio to the maximum number of securities that the underwriter or managing underwriter believes may be included for all the selling security holders (including the Holder)

as the original number of Shares proposed to be sold by the Holder bears to the total original number of securities proposed to be offered by the Holder and the other selling security holders.

(c) Notwithstanding the preceding provisions of this Section, the Company shall have the right at any time after it shall have given written notice pursuant to this Section (irrespective of whether any written request for inclusion of such securities shall have already been made) to elect not to file any proposed Registration Statement, or to withdraw the same after the filing but prior to the effective date thereof.

2. Covenants of the Company With Respect to Registration. The Company hereby covenants and agrees as follows; provided, however, that any Registration Statement for the Company filed subsequent to the consummation of the Merger will not be declared effective by the Commission without the required presentation under the Commission's Regulation S-B of an audited balance sheet as at the end of the most recent fiscal year of the business acquired and audited statements of income, cash flows and changes in stockholders' equity for such business

for each of the two fiscal years preceding the date of such balance sheet:

(a) The Company shall use reasonable efforts to cause the Registration Statement to become effective as promptly as possible under the circumstances at the time prevailing and, if any stop order shall be issued by the Commission in connection therewith, to use its reasonable efforts to obtain the removal of such order.

(b) Following the effective date of a Registration Statement, the Company shall, upon the request of the Holder, forthwith supply such reasonable number of copies of the Registration Statement, preliminary prospectus and prospectus meeting the requirements of the Securities Act, and other documents necessary or incidental to the public offering of the Shares as shall be reasonably requested by the Holder to permit the Holder to make a public distribution of the Holder's Shares. The obligations of the Company hereunder with respect to the Holder's Shares are expressly conditioned on the Holder's furnishing to the Company such appropriate information concerning the Holder, the Holder's Shares and the terms of the Holder's offering of such shares as the Company may request.

(c) The Company will pay all costs, fees and expenses in connection with all Registration Statements filed pursuant to Section 1 hereof, including, without limitation, the Company's legal and accounting fees, printing expenses and blue sky fees and expenses; provided, however, that the Holder shall be solely responsible for the fees of any counsel retained by the Holder in connection with such registration and any transfer taxes or underwriting discounts, selling commissions or selling fees applicable to the Shares sold by the Holder pursuant thereto.

(d) The Company will use reasonable efforts to qualify or register the Shares included in a Registration Statement for offering and sale under the securities or blue sky laws of such states as are requested by the Holder, provided that the Company shall not be obligated to execute or file any general consent to service of process (unless the Company is already then subject to service in such jurisdiction) or to qualify as a foreign corporation to do business under the laws of any such jurisdiction, except as may be required by the Securities Act and its rules and regulations.

3. Covenant of the Holder.

The Holder, upon receipt of notice from the Company that an event has occurred which requires a post-effective amendment to the Registration Statement or a supplement to the prospectus included therein, shall promptly discontinue the sale of Shares until the Holder receives a copy of a

supplemented or amended prospectus from the Company, which the Company shall provide as soon as practicable after such notice.

4. Indemnification.

(a) The Company shall indemnify, defend and hold harmless the Holder and such person who controls such Holder within the meaning of Section 15 of the Securities Act or Section 20(a) of the Securities Exchange Act of 1934, as amended, from and against any and all losses, claims, damages and liabilities caused by or arising out of any untrue statement of a material fact contained in the Registration Statement, or caused by or arising out of any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission based upon information furnished or required to be furnished in writing to the Company by the Holder or the trustees thereof expressly for use therein; provided, however, that the indemnification in this Section shall not inure to the benefit of the Holder on account of any such loss, claim, damage or liability arising from the sale of Shares by the Holder, if a copy of a subsequent prospectus correcting the untrue statement or omission in such earlier prospectus was provided to the Holder by the Company prior to the subject sale and the subsequent prospectus was not delivered or sent by the Holder to the purchaser prior to such sale. The Holder(s) and their successors and assigns shall at the same time, severally and jointly, indemnify the Company, its directors, each officer signing the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any and all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in the Registration Statement, or any prospectus included therein, or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading.

5. Governing Law.

(a) This Agreement shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal substantive laws of the State of New York, without giving effect to the choice of law rules thereof.

(b) Each of the Company and the Holder hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States located in the County of New York, State of New York (the "New York Courts") for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in the New York Courts

and agrees not to plead or claim that such litigation brought in any New York Courts has been brought in an inconvenient forum.

6. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed duly given when delivered by hand or mailed by express, registered or certified mail, postage prepaid, return receipt requested, as follows:

If to the Company, at:

Take-Two Interactive Software, Inc.
575 Broadway
New York, NY 10012
Attn: Ryan A. Brant, Chairman

with a copy of the same to:

Tenzer Greenblatt L.L.P.
405 Lexington Avenue
23rd Floor
New York, NY 1074
Attn: Kenneth Selterman, Esq.

If to the Holder(s), at that address set forth under their name on the signature page.

with a copy of the same to:

Cowan & Owen, P.C.
1930 Hugenot Road
P.O. Box 35655
Richmond, VA 23235
Attn: Michael C. Hall, Esq.

Or such other address as has been indicated by either party in accordance with a notice duly given in accordance with the provisions of this Section.

7. Amendment. This Agreement may only be amended by a written instrument executed by the Company and the Holders.

8. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9. Assignment; Binding Effect; Benefits. Except as otherwise provided below, the Holder may not assign the Holder's rights hereunder without the prior written consent of the Company, which consent may be given or withheld for any reason and any attempted assignment without having obtained such prior written notice shall be void and of no force and effect. This

Agreement shall inure to the benefit of, and be binding upon, the parties hereto and the permitted assigns, heirs and legal representatives of the Holder and the Company and its successors. Nothing herein contained, express or implied, is intended to confer upon any person other than the parties hereto and their respective heirs, legal representatives and successors, any rights or remedies under or by reason of this Agreement.

10. Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

11. Severability. Any provision of this Agreement which is held by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction(s) shall be, as to such jurisdiction(s), ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

12. Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be

deemed an original, but all of which together shall constitute one and the same document.

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

Company: TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

Holders:

/s/ David Clark

DAVID CLARK
Address: 14319 Kenmont Drive
Midlothian, Va 23113
_____

Number of Shares: _____

/s/ Karen M. Clark

KAREN CLARK
Address: 14319 Kenmont Drive
Midlothian, Va 23113
_____

Number of Shares: _____

/s/ Terry Phillips

TERRY PHILLIPS
Address: _____
_____
_____

Number of Shares: _____

/s/ Cathy Phillips

CATHY PHILLIPS
Address: _____
_____
_____

Number of Shares: _____

/s/ Russell Howard

RUSSELL HOWARD
Address: _____
_____
_____

Number of Shares: _____

REGISTRATION RIGHTS AGREEMENT

Registration Rights Agreement dated as of July 29, 1997, by and between Take-Two Interactive Software, Inc., a Delaware corporation (the "Company"), and GameTek (FL), Inc., a Florida corporation (the "Holder").

WHEREAS, the Company issued to the Holder pursuant to a Purchase Agreement dated July 29, 1997, by and among the Company and the Holder (the "Purchase Agreement"), an aggregate of 406,533 shares (the "Shares") of the Company's Common Stock, par value $.01 per share; and

WHEREAS, pursuant to the Purchase Agreement, the Company has agreed to grant to the Holder registration rights set forth herein with respect to the Shares.

NOW, THEREFORE, the parties do hereby agree as follows:

1. S-3 Registration. The Company shall use its reasonable best efforts to include the Shares in a registration statement on Form S-3 (the "Form S-3 Registration Statement") to be filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act") on the date the Company first becomes eligible to use a Form S-3 Registration Statement (which is currently anticipated to be April 14, 1998) and shall use its reasonable best efforts to cause the Form S-3 Registration Statement to become and remain effective under the Act so as to permit a public offering and sale of the Shares for a period of nine (9) months; provided, however, that (i) in the event that the Company is engaged in negotiations with respect to an acquisition, merger, financing or other material event which would require the Company to file a Form 8-K in the event that such acquisition, merger, financing or other material event is consummated or has otherwise occurred or (ii) in the event the Company shall furnish to the Holder a certificate signed by the chief executive officer of the Company stating that in the good faith judgment of the Company and its investment banker that it would be detrimental to the Company and its shareholders for the Company to immediately proceed with such Form S-3 Registration Statement and it is therefore essential to defer the filing of such Form S-3 Registration Statement, then, in each such case, the Company will have the right to defer such filing for a reasonable period not to exceed ninety (90) days; provided, further that the nine (9) month registration period shall be extended by the length of such deferral period.

2. Piggyback Registration.

(a) If, at any time after April 14, 1998, the Shares have not been included in the Form S-3 Registration Statement, and the Company proposes to prepare and file with the Commission a registration statement covering equity or debt securities of the Company or any such securities of the Company held by its shareholders, other than in connection with a merger, acquisition or pursuant to a registration statement on Form S-4 or Form S-8 or any successor form (for purposes of this Section 2, a "Registration Statement"), the Company will give written notice of its intention to do so by [certified mail] ("Notice"), at least 10 days prior to the filing of each such Registration Statement, to the Holder. Upon the written request of the Holder, made within 8 days after receipt of the Notice, that the Company include any of the Shares in the proposed Registration Statement, the Company shall, as to the Holder, use its best efforts to effect the registration under the Act of the Shares which it has been so requested to register ("Piggyback Registration"); provided, however, that if the Piggyback Registration is in connection with an underwritten public offering and in the written opinion of the Company's underwriter or managing underwriter of the underwriting group, if any, for such offering, the inclusion of all or a portion of the Shares requested to be registered, when added to the securities being registered by the Company or the selling shareholder(s), if any, will exceed the maximum amount of the Company's securities which can be marketed (i) at a price reasonably related to their then current market value, or (ii) without otherwise having an adverse effect on the offering, then the Company may exclude from such offering all or a portion of the Shares which it has been requested to register.

(b) If securities are proposed to be offered for sale pursuant to such Registration Statement by other security holders of the Company and the total number of securities to be offered by the Holder and such other selling security holders is required to be reduced pursuant to a request from the underwriter or managing underwriter as set forth in paragraph (a) above, the aggregate number of Shares to be offered by the Holder pursuant to such Registration Statement shall equal the number which bears the same ratio to the maximum number of

securities that the underwriter or managing underwriter believes may be included for all the selling security holders (including the Holder) as the original number of Shares proposed to be sold by the Holder bears to the total original number of securities proposed to be offered by the Holder and the other selling security holders.

(c) Notwithstanding the preceding provisions of this Section, the Company shall have the right at any time after it shall have given written notice pursuant to this Section (irrespective of whether any written request for inclusion of such securities shall have already been made) to elect not to file any proposed Registration Statement, or to withdraw the same after the filing but prior to the effective date thereof.

3. Covenants of the Company With Respect to Registration. The Company hereby covenants and agrees as follows:

(a) Following the effective date of any registration statement filed under Section 1 or 2, the Company shall, upon the request of the Holder, forthwith supply such

reasonable number of copies of the registration statement and prospectus meeting the requirements of the Act as shall be reasonably requested by the Holder to permit the Holder to make a public distribution of the Shares. The obligations of the Company hereunder with respect to the Shares are expressly conditioned on the Holder's furnishing to the Company such appropriate information concerning the Holder, the Shares and the terms of the Holder's offering of such shares as the Company may request.

(b) The Company will pay all costs, fees and expenses in connection with any registration statement filed pursuant to Sections 1 and 2 hereof, including, without limitation, the Company's legal and accounting fees, printing expenses and blue sky fees and expenses; provided, however, that the Holder shall be solely responsible for the fees of any counsel retained by the Holder in connection with such registration and any transfer taxes or underwriting discounts, selling commissions or selling fees applicable to the Shares sold by the Holder pursuant thereto.

(c) The Company will use its reasonable best efforts to qualify or register the Shares included in a registration statement for offering and sale under the securities or blue sky laws of such states as are reasonably requested by the Holder, provided that the Company shall not be obligated to execute or file any general consent to service of process (unless the Company is already then subject to service in such jurisdiction) or to qualify as a foreign corporation to do business under the laws of any such jurisdiction, except as may be required by the Act and its rules and regulations.

4. Covenant of the Holder. The Holder, upon receipt of notice from the Company that an event has occurred which requires a post-effective amendment to a registration statement or a supplement to the prospectus included therein, shall promptly discontinue the sale of Shares until the Holder receives a copy of a supplemented or amended prospectus from the Company, which the Company shall provide as soon as practicable after such notice.

5. Indemnification. The Company shall indemnify, defend and hold harmless the Holder from and against any and all losses, claims, damages and liabilities caused by or arising out of any untrue statement of a material fact contained in a registration statement or prospectus included therein or caused by or arising out of any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission based upon information furnished or required to be furnished in writing to the Company by the Holder expressly for use therein; provided, however, that the indemnification in this Section shall not inure to the benefit of

the Holder on account of any such loss, claim, damage or liability arising from the sale of Shares by the Holder, if a copy of a subsequent prospectus correcting the untrue statement or omission in such earlier prospectus was provided to the Holder by the Company prior to the sale and the subsequent prospectus was not delivered or sent by the Holder to the purchaser prior to such sale. The Holder shall at the same time indemnify the Company, its directors, each officer signing a registration statement and each person who controls the Company within the meaning of the Act from and against any and all losses, claims, damages and liabilities caused by or arising out of any untrue statement of a material fact contained in a registration statement or prospectus included therein, or caused by or arising out of any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case, only insofar as such losses, claims, damages or liabilities are caused by any untrue statement or omissions based upon information furnished in writing to the Company by the Holder expressly for use therein.

6. Governing Law.

(a) This Agreement shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal substantive laws of the State of New York, without giving effect to the choice of law rules thereof.

(b) Each of the Company and the Holder hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States located in the County of New York, State of New York (the "New York Courts") for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in the New York Courts and agrees not to plead or claim that such litigation brought in any New York Courts has been brought in an inconvenient forum.

7. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed duly given when delivered by hand or mailed by express, registered or certified mail, postage prepaid, return receipt requested, as follows:

If to the Company, at:

Take-Two Interactive Software, Inc.
575 Broadway
New York, New York 10012
Attn: Ryan A. Brant, Chairman

with a copy of the same to:

Tenzer Greenblatt LLP
405 Lexington Avenue
23rd Floor
New York, New York 10174
Attn: Kenneth I. Selterman, Esq.

If to the Holder(s), at that address set forth under their name on the signature page.

with a copy of the same to:

Ackerman, Levine & Cullen, LLP
175 Great Neck Road
Great Neck, New York 11021
Attn: Leslie J. Levine, Esq.

Or such other address as has been indicated by either party in accordance with a notice duly given in accordance with the provisions of this Section.

8. Amendment. This Agreement may only be amended by a written instrument executed by the Company and the Holders.

9. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

10. Benefits. Nothing herein contained, express or implied, is intended to confer upon any person other than the parties hereto any rights or remedies under or by reason of this Agreement. Certain of the Shares have been transferred to Ocean Bank and the Company agrees that Ocean Bank may participate pari passu with Holder in any registration of the Shares pursuant to this Agreement exercised by the Holder. Holder shall be responsible for notifying Ocean Bank and corresponding with the Company with respect thereto.

11. Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

12. Severability. Any provision of this Agreement which is held by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction(s) shall be, as to such jurisdiction(s), ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13. Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

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

Company: TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Ryan A. Brant

Name: Ryan A. Brant
Title: Chairman

Holder: GAMETEK INC.

By: /s/ Robert L. Underwood

Name: Robert L. Underwood
Title: Authorized Signer

Address: c/o Northern Blue, LLP
100 Europa Drive
Chapel Hill, No. Carolina
27514
Number of Shares: 406,553_

SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT
EXECUTED IN CONNECTION WITH THE
ASSET AND STOCK PURCHASE AGREEMENT AMONG
GAMETEK (UK), LIMITED, GAMETEK (FL), INC.,
ALTERNATIVE REALITY TECHNOLOGIES, INC AND
TAKE TWO INTERACTIVE SOFTWARE, INC.