EAGLE BANCORP INC
Form 4
January 18, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Goodman Harvey Michael

(Last) (First) (Middle)

10120 MEYER POINT TERRACE

(Street)

POTOMAC, MD 20854

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EAGLE BANCORP INC [EGBN]

3. Date of Earliest Transaction (Month/Day/Year)
01/16/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Securitie (Instr. 3 and 4)

	Derivative Security				(A) or Disposed of (D) (Instr. 3, 4, and 5)					Amou or Numb of Shares
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	
NonIncentive Options Under 2006 Stock Plan	$ 13.0543	01/16/2008	A		1,083		01/16/2008	01/15/2018	Common Stock	1,08
NonIncentive Options Under 2006 Stock Plan	$ 13.0543	01/16/2008	A		1,083		01/16/2009	01/15/2018	Common Stock	1,08
NonIncentive Options Under 2006 Stock Plan	$ 13.0543	01/16/2008	A		1,084		01/16/2010	01/15/2018	Common Stock	1,08

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Goodman Harvey Michael 10120 MEYER POINT TERRACE POTOMAC, MD 20854	X			

Signatures

/s/ Harvey Michael Goodman	01/18/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. l 10, 2008.

The following matters will be considered at the Annual Meeting:

the election of eight directors;

a proposal to amend the Take-Two Interactive Software, Inc. Incentive Stock Plan to increase the number of shares of common stock reserved for issuance thereunder by 2,000,000 shares and to permit the issuance of awards thereunder to consultants;

the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2008; and

the transaction of any other business that may properly come before the Annual Meeting.

Your Board of Directors recommends that you vote "FOR" the election of the nominated directors, "FOR" the approval of the amendment to the Incentive Stock Plan and "FOR" the ratification of the appointment of Ernst & Young LLP.

Stockholders may attend the meeting and vote in person.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

622 Broadway
New York, New York 10012

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
APRIL 10, 2008
2:00 p.m. Eastern Time

To the Stockholders of TAKE-TWO INTERACTIVE SOFTWARE, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "*Annual Meeting*") of stockholders of Take-Two Interactive Software, Inc. (the "*Company*") will be held on April 10, 2008, at 2:00 p.m. Eastern Time at the W Hotel Union Square, 201 Park Avenue South, Studio 1, New York, New York for the following purposes:

1. to elect eight directors;

2. to consider and vote upon a proposal to amend the Take-Two Interactive Software, Inc. Incentive Stock Plan to increase the number of shares of common stock of the Company reserved for issuance thereunder by 2,000,000 shares and to permit the issuance of awards thereunder to consultants;

3. to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2008; and

4. to transact any other business that may properly come before the Annual Meeting.

Only stockholders of record at the close of business on February 19, 2008 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Daniel P. Emerson
Corporate Secretary

February 28, 2008

IF YOU DO NOT EXPECT TO BE PRESENT AT THE ANNUAL MEETING:

PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED FOR THAT PURPOSE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. YOU MAY ALSO VOTE BY TELEPHONE OR VIA THE INTERNET. YOUR PROXY MAY BE REVOKED AT ANY TIME PRIOR TO EXERCISE AND ANY STOCKHOLDER OF RECORD PRESENT AT THE ANNUAL MEETING MAY, IF HE OR SHE WISHES, REVOKE HIS OR HER PROXY AT THAT TIME AND EXERCISE THE RIGHT TO VOTE HIS OR HER SHARES PERSONALLY.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

622 Broadway
New York, New York 10012

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 10, 2008

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Take-Two Interactive Software, Inc. (the "*Company*") for use at the Annual Meeting of Stockholders (the "*Annual Meeting*") to be held on April 10, 2008, including any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

Management intends to begin mailing this Proxy Statement and the accompanying form of proxy to stockholders on or about March 10, 2008.

Proxies in the accompanying form, duly executed and returned to the management of the Company and not revoked, will be voted at the Annual Meeting. A proxy may be revoked by the stockholder of record at any time prior to the voting of the proxy by a subsequently dated proxy, by written notification to the Secretary of the Company, or by personally withdrawing the proxy at the Annual Meeting and voting in person.

The address of the principal executive offices of the Company is 622 Broadway, New York, New York 10012, and its telephone number is (646) 536-2842.

The following questions and answers provide important information about the Annual Meeting and this Proxy Statement:

What matters will be considered at the Annual Meeting?

The election of eight directors;

A proposal to amend the Take-Two Interactive Software, Inc. Incentive Stock Plan (the "*Incentive Stock Plan*") to increase the number of shares of common stock, par value $0.01 per share, of the Company ("*Common Stock*") reserved for issuance thereunder by 2,000,000 shares and to permit the issuance of awards thereunder to consultants, including 1,500,000 shares of restricted stock to ZelnickMedia Corporation ("*ZelnickMedia*");

The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2008; and

The transaction of any other business that may properly come before the Annual Meeting.

How does the Board recommend that stockholders vote on these matters?

Your Board of Directors believes that the election of the nominated directors, the approval of the amendment to the Incentive Stock Plan and the ratification of the appointment of Ernst & Young LLP are in the best interests of the Company and its stockholders and, accordingly, recommends a vote "FOR" the approval of these proposals.

With respect to the recommendation that stockholders vote "FOR" the approval of the amendment to the Incentive Stock Plan to allow for grants to consultants and to increase the number of shares authorized for grant under the plan, the Board believes that the amendment and the related amendment to the management agreement with ZelnickMedia are justified by the far more extensive role that ZelnickMedia executives have had in the management of the Company than was originally contemplated in March 2007 when two ZelnickMedia executives first became directors of the Company and Ben Feder became interim Chief Executive Officer of the Company. The amendment to the management agreement formalizes this more extensive role, including the appointment of Strauss Zelnick as Executive Chairman from non-executive Chairman, the designation of Ben Feder as Chief Executive Officer for the term of the management agreement rather than on an interim basis, and the provision of additional personnel and services by ZelnickMedia, including Karl Slatoff becoming an

Executive Vice President of the Company. Furthermore, the term of the management agreement was extended for one additional year.

The Board's fundamental motivation in proposing the amendment to the Incentive Stock Plan was to enable the Company to provide long-term equity incentive compensation to the ZelnickMedia management team and to align further its interests with the Company's in order to promote the long-term performance of the Company. Additionally, the Board considered a number of change in control scenarios as they would relate to the acceleration of vesting of the restricted stock that will be granted to ZelnickMedia if this amendment is approved by stockholders and determined that certain limitations on acceleration were appropriate. The Board's decision to amend the management agreement and recommend the amendment of the Incentive Stock Plan followed a thorough process conducted by the independent members of the Board with input from its advisors, including an independent compensation consultant.

The Board's formal meetings concerning these matters began in December 2007 following earlier informal discussions among independent Board members, well before the Company received a February 6, 2008 letter from Electronic Arts Inc. proposing to acquire the Company, and were not initiated as a result of conversations with Electronic Arts Inc. or any other potential acquirer. For a further description of the management agreement and the equity awards contemplated thereunder see "Executive Compensation Employment, Management and Separation Agreements ZelnickMedia Corporation."

Who is entitled to vote?

Stockholders as of the close of business on February 19, 2008 (the "*Record Date*") are entitled to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of Common Stock held on each matter submitted to a vote at the Annual Meeting.

How do I vote?

You may sign and date each paper proxy card you receive and return it in the prepaid envelope. The enclosed proxy will be voted in accordance with the instructions thereon. Unless otherwise stated, all shares represented by such proxy will be voted as instructed. Proxies may be revoked in the manner described above.

If you return your signed proxy but do not indicate your voting preferences, the Company will vote on your behalf "FOR" the election of the nominated directors, "FOR" the approval of the amendment to the Incentive Stock Plan and "FOR" the ratification of the appointment of Ernst & Young LLP. If any other matter properly comes before the stockholders for a vote at the Annual Meeting, the proxy holders will vote your shares in accordance with their best judgment.

You may also vote by telephone or via the Internet. There are separate telephone and Internet voting arrangements depending upon whether shares are registered in your name or in the name of a bank or broker. See "Voting by Telephone or Via the Internet" below for further details.

How do I sign the paper proxy card?

Sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as an attorney, executor, administrator, guardian, trustee or the officer or agent of a company), you should indicate your name and title or capacity. If the stock is held in custody for a minor (for example, under the Uniform Transfers to Minors Act), the custodian should sign the proxy card, not the minor. If the stock is held in joint ownership, both owners must sign.

What does it mean if I receive more than one proxy card?

It may mean that you hold shares registered in more than one account. Sign and return all proxy cards to ensure that all your shares are voted. You may call American Stock Transfer & Trust Company at 1-800-937-5449 if you have any question regarding the share information or your address appearing on the paper proxy card.

Who will count the votes?

A representative of American Stock Transfer & Trust Company will tabulate the votes and act as independent inspector of election.

What constitutes a quorum?

A majority of the outstanding shares of Common Stock on the Record Date present or represented by proxy constitutes a quorum for the Annual Meeting. As of the close of business on the Record Date, 76,175,266 shares of Common Stock were issued and outstanding.

What is an abstention?

An abstention is a properly signed proxy card that is marked "abstain."

What is a "broker non-vote"?

A "broker non-vote" occurs when a broker submits a proxy that does not indicate a vote for one or more of the proposals, because the broker has not received instructions from the beneficial owners as to how to vote on such proposals and does not have discretionary authority to vote in the absence of instructions.

What vote is needed to approve the adoption of the matters to be presented at the Annual Meeting?

In the election for directors, the eight persons receiving the highest number of "FOR" votes will be elected. However, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election (a "*Majority Withheld Vote*") promptly shall tender his or her resignation to the Board for consideration following certification of the stockholder vote. A "FOR" vote by a majority of those shares present and entitled to vote is required to approve the amendment to the Incentive Stock Plan and to ratify the appointment of Ernst & Young LLP. For purposes of determining approval of a matter presented at the Annual Meeting, abstentions will be deemed present and entitled to vote and will, therefore, have the same legal effect as a vote "against" a matter presented at the Annual Meeting. Broker non-votes will not be counted as votes cast either for or against the proposals.

Will any other matters be acted on at the Annual Meeting?

If any other matters are properly presented at the Annual Meeting or any adjournment, the persons named in the proxy will have discretion to vote on those matters. As of the date by which shareholder proposals must have been received by the Company to be presented at the Annual Meeting, and as of the date of this proxy statement, the Company did not know of any other matters to be presented at the Annual Meeting.

Who pays for this proxy solicitation?

The Company will bear the entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the proxy and any additional soliciting material furnished to stockholders. The Company has retained MacKenzie Partners, Inc. and Innisfree M&A Incorporated, proxy solicitation firms, to solicit proxies for a fee of $15,000 each, plus reimbursement of their respective out-of-pocket expenses. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to the beneficial owners of stock, and these entities may be reimbursed by the Company for their expenses. Proxies also may be solicited by directors, officers or employees of the Company in person or by telephone, telegram or other means. No additional compensation will be paid to such individuals for these services.

How may I communicate with the Board of Directors?

Stockholders wishing to send communications to the Board of Directors individually or as a group may do so by writing to: The Board of Directors of Take-Two Interactive Software, Inc., 622 Broadway, New York, New York 10012, Attention: Corporate Communications. You should identify your communication as being from a stockholder of the Company. The Company may require reasonable evidence that your communication or other submission is made by a stockholder of the Company before transmitting your communication to the Board of Directors.

VOTING BY TELEPHONE OR VIA THE INTERNET

For Shares Registered in the Name of a Brokerage Firm or Bank.

Some brokerage firms and banks are participating in a program provided through Broadridge Financial Solutions that offers telephone and Internet voting options. If your shares are held in an account at a brokerage firm or bank participating in the Broadridge program, you may vote those shares telephonically by calling the telephone number referenced on your proxy card. If your shares are held in an account at a brokerage firm or bank participating in the ADP program, you are offered the opportunity to elect to vote via the Internet. Votes submitted via the Internet through the ADP program must be received by 11:59 p.m. (New York time) on April 9, 2008.

For Shares Directly Registered in the Name of the Stockholder.

Stockholders with shares registered directly with American Stock Transfer & Trust Company may vote telephonically by calling Broadridge Financial Solutions at 1-800-690-6903, or you may vote via the Internet at www.proxyvote.com.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting via the Internet through Broadridge Financial Solutions should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which must be borne by the stockholders.

ELECTION OF DIRECTORS

(Proposal 1)

At the Annual Meeting eight directors will be elected to hold office for a term expiring at the time of the Annual Meeting of Stockholders to be held in 2009. The Board of Directors, upon the recommendation of the Corporate Governance Committee, has nominated the nominees named herein. Each director will be elected to serve until a successor is elected and qualified or until the director's earlier resignation or removal.

At the Annual Meeting, the proxy cards given by stockholders will be voted individually for the election, as directors of the Company, of the persons named herein, unless a proxy card specifies that it is not to be voted in favor of a nominee for director. If any of the nominees listed below shall be unable to serve, it is intended that the proxy will be voted for such other nominees as may be designated by the Board of Directors. Each of the persons named herein has indicated to the Board of Directors that he will be available to serve.

Policy on Majority Voting for Directors. As part of our continuing efforts to enhance corporate governance procedures, our Board of Directors has amended our Corporate Governance Guidelines to provide for majority voting in an uncontested election of directors. In an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election promptly shall tender his or her resignation to the Corporate Governance Committee following certification of the stockholder vote. The Corporate Governance Committee promptly will consider the resignation offer and recommend to the Board of Directors the action to be taken with respect to such offered resignation. The Board of Directors will act on the Corporate Governance Committee's recommendation within 90 days following the date of the Annual Meeting. Thereafter, the Board of Directors promptly will disclose its decision whether to accept the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable) in a Current Report on Form 8-K filed with the Securities and Exchange Commission. Any director tendering a resignation pursuant to this provision shall not participate in the Corporate Governance Committee recommendation or action of the Board of Directors regarding whether to accept the resignation offer.

The Board of Directors recommends that stockholders vote FOR the election of the nominees named below.

Set forth below is information with respect to the nominees for directors:

Ben Feder, age 44, has been serving as the Chief Executive Officer and a director of the Company since he was nominated by certain stockholders of the Company and elected to the Board of Directors at the Company's 2007 annual meeting of stockholders on March 29, 2007. Mr. Feder is also a partner of ZelnickMedia, a media investment and management firm, and is involved in overseeing ZelnickMedia's interest in Columbia Music Entertainment (CME) of Japan. He is a director of CME, which is traded on the Tokyo Stock Exchange. Prior to co-founding ZelnickMedia in 2001, Mr. Feder was Chief Executive Officer of MessageClick, Inc., a leading provider of voice messaging technology for next-generation telephone networks, and held a senior position with News Corporation.

Strauss Zelnick, age 50, has been Executive Chairman of the Company since February 2008 and has been the non-executive Chairman of the Company since he was nominated by certain stockholders of the Company and elected to the Board of Directors at the Company's 2007 annual meeting of stockholders on March 29, 2007. Mr. Zelnick is also a partner of ZelnickMedia and is Chairman of Columbia Music Entertainment (CME) of Japan, Online Testing Exchange, Inc. and ITN Networks. He also serves on the Boards of Directors of Blockbuster Inc. and Naylor LLC. Mr. Zelnick served as Executive Chairman of Direct Holdings, the parent company of Time Life and Lillian Vernon until the company was sold to Reader's Digest in March 2007. Prior to co-founding ZelnickMedia in 2001, Mr. Zelnick was President and Chief Executive Officer of BMG Entertainment, an entertainment company with more than 200 record labels and operations in 54 countries. Mr. Zelnick has also served as President and Chief Executive Officer of Crystal Dynamics, Inc and as President and Chief Operating Officer of Twentieth Century Fox. He is an associate member of the National Academy of Recording Arts and Sciences and served on the Board of Directors of the Recording Industry Association of America and the Motion Picture Association of America.

Robert A. Bowman, age 52, has been a director of the Company since April 2007. Mr. Bowman is the President and Chief Executive Officer of Major League Baseball Advanced Media, LP, which manages the interactive and Internet rights for Major League Baseball, a position he has held since 2000. Prior to joining MLB Advanced Media, Mr. Bowman was President and Chief Operations Officer of ITT Corporation from 1995 to 2000, where he previously served as Chief Financial Officer from 1991 to 1995. Mr. Bowman served as the Treasurer of the State of Michigan from 1983 to 1990, overseeing its tax policy and collection and the state's pension fund. Mr. Bowman serves as President of the Michigan Education Trust and is a director of Blockbuster Inc., The Warnaco Group, Inc. and World Wrestling Entertainment, Inc., serving as the Chair of the Audit Committee at Blockbuster and on the Audit Committee and Compensation Committee at Warnaco and the Audit Committee at World Wrestling Entertainment, Inc.

Grover C. Brown, age 72, has been a director of the Company since March 2006. Mr. Brown was not nominated by certain stockholders of the Company, and therefore not elected, to the Board of Directors at the Company's 2007 annual meeting of stockholders on March 29, 2007. However, at a meeting of the Board held immediately thereafter, the Board reappointed him to the Board. Mr. Brown, a former judge, has been special counsel at the law firm of Gordon, Fournaris & Mammarella, P.A. since March 2000. Previously, Mr. Brown was a partner at the law firm of Morris, James, Hitchens & Williams from 1985 to 2000. Mr. Brown served as Chancellor and Vice Chancellor of the Delaware Court of Chancery from 1973 until 1985 and was a Family Court Judge for the State of Delaware prior to that time. Mr. Brown is a director of Cablevision Systems Corporation, a telecommunications and entertainment company and a member of its Special Litigation Committee.

Michael Dornemann, age 62, was nominated by certain stockholders of the Company and elected to the Board of Directors at the Company's 2007 annual meeting of stockholders on March 29, 2007. Mr. Dornemann is an entertainment and marketing executive with more than 30 years of management consulting, corporate development, strategic advisory and media experience. Since 2001, Mr. Dornemann has served on several boards and currently serves on the Board of Directors of Jet Set AG, a worldwide fashion company based in Switzerland, as Vice-Chairman of Access Worldwide Communications and on the Board of Directors of Columbia Music Entertainment (CME) of Japan. Prior to 2001, Mr. Dornemann was an executive board member of Bertelsmann AG for 16 years and Chief Executive Officer of Bertelsmann Entertainment (music and television division) and held positions with IBM and Boston Consulting Group.

John F. Levy, age 52, has been a director of the Company since March 2006. Since May 2005, Mr. Levy has served as the Chief Executive Officer of Board Advisory Services, a consulting firm that advises public companies in the areas of corporate governance, corporate compliance, financial reporting and financial strategies. From November 2005 to March 2006, Mr. Levy was the Interim Chief Financial Officer of Universal Food & Beverage Company, which filed a voluntary petition under the provisions of Chapter 11 of the United States Bankruptcy Act on August 31, 2007. From November 1997 to May 2005, Mr. Levy served as Executive Vice President and Chief Financial Officer of MediaBay, Inc., a provider of premium spoken word audio content. While at MediaBay, he also served for a period as its Chairman and Vice Chairman. Mr. Levy is a certified public accountant with nine years of experience with the national public accounting firms of Ernst & Young, Laventhol & Horwath and Grant Thornton LLP. Mr. Levy is a director, Lead Director and Chairman of the Audit Committee and a member of the Compensation Committee of Gilman+Ciocia, Inc., which provides tax preparation and financial planning services to individuals. Mr. Levy is also a director of Atlas Mining Company.

J Moses, age 49, was nominated by certain stockholders of the Company and elected to the Board of Directors at the Company's 2007 annual meeting of stockholders on March 29, 2007. Since 1997, Mr. Moses has been the Chief Executive Officer of UGO Networks, Inc., an online publisher delivering information and entertainment for "gamers." Mr. Moses, who co-founded UGO Networks, managed the sale of that company to the Hearst Corporation in August 2007, where he continues to oversee that company. Prior thereto, Mr. Moses served as President of MTV Russia and oversaw the launch of MTV Networks in Russia in 1996. Mr. Moses, a 30 year veteran of the media industry, also served as the President of BMG Interactive from 1992 to 1995.

Michael Sheresky, age 40, was nominated by certain stockholders of the Company and elected to the Board of Directors at the Company's 2007 annual meeting of stockholders on March 29, 2007. Since 1997, Mr. Sheresky has held a number of positions at the William Morris Agency, a talent agency, and he currently serves as a Senior Vice President in its Motion Picture Department.

Set forth below is information with respect to the Company's executive officers who are not also directors:

Lainie Goldstein, age 40, became Chief Financial Officer of the Company in June 2007 and prior thereto served as the Company's Senior Vice President of Finance since November 2003. Prior to joining the Company in November 2003, Ms. Goldstein spent seven years in various finance positions with Nautica Enterprises, an apparel company, most recently as Vice President, Finance and Business Development. Ms. Goldstein is a certified public accountant, and held positions in the audit and reorganization departments at Grant Thornton LLP.

Seth Krauss, age 37, has been the Executive Vice President and General Counsel of the Company since March 2007. Prior to that time, he served in the Legal and Compliance Division of Morgan

Stanley, a global financial services company, first as Vice President and Counsel and then as Executive Director and Counsel from March 2004 to March 2007, where most recently he had been responsible for coordinating all significant regulatory and law enforcement matters for Morgan Stanley in the United States and served as one of the firm's senior liaisons to its U.S.-based financial regulators and law enforcement agencies. From 1995 until joining Morgan Stanley in March 2004, Mr. Krauss served as an Assistant District Attorney and Senior Investigative Counsel in the New York County District Attorney's Office, where his work included leading complex, long-term investigations into violations of securities, banking, accounting, taxation and related laws and regulations, working closely with the SEC, FINRA (formerly the NASD and the NYSE), as well as numerous state, federal and international financial regulators and law enforcement agencies.

Gary Dale, age 47, became Executive Vice President of the Company in December 2007. Prior to that time, he was Chief Operating Officer of the Company's Rockstar Games publishing label since joining the Company in January 2007. Mr. Dale previously served as the European Managing Director of Capcom Co. Ltd., an interactive entertainment company, from November 2003 to January 2007. From 2000 to 2003, he was Chief Executive Officer of Granada Sky Broadcasting, an operator of television channels in the United Kingdom, where he was responsible for production, programming, operations, sales and marketing. From 1998 to 2000, he served as Senior Vice President of International Marketing at BMG Music, overseeing all marketing activities outside of North America. Prior to that, he was President of the Interactive Software and Video Division of BMG Entertainment from 1994 until the Company acquired BMG Interactive in March 1998.

Karl Slatoff, age 37, became Executive Vice President of the Company in February 2008. Mr. Slatoff is also a partner of ZelnickMedia. Prior to joining ZelnickMedia in 2001, Mr. Slatoff served as Vice President, New Media for BMG Entertainment, where he was responsible for guiding BMG's online digital strategies, including the development of commercial digital distribution initiatives and new business models for the sale and syndication of online content. From 1994 to 1996, Mr. Slatoff worked in strategic planning at the Walt Disney Company, where he focused on the consumer products, studio and broadcast divisions, as well as several initiatives in the educational, publishing and new media sectors. From 1992 to 1994 Mr. Slatoff worked in the corporate finance and mergers and acquisitions units at Lehman Brothers where he focused on the consumer products and retail/merchandising industries.

Section 16(a) Beneficial Ownership Compliance. Based solely on a review of Forms 3, 4 and 5 furnished to the Company with respect to its most recent fiscal year, the Company believes that all reporting persons currently required to file such reports under the Securities Exchange Act of 1934 filed such reports on a timely basis, except that each of Messrs. Moses and Sheresky filed a late Form 4 relating to an option grant to him due to delays in applying for EDGAR codes for first time filers.

Meetings of Directors. The Board of Directors holds regularly scheduled meetings during the year and holds additional meetings as necessary or desirable. During the fiscal year ended October 31, 2007, the Board of Directors held 17 meetings. Each of the incumbent directors attended more than 75% of the meetings of the Board of Directors and all committees thereof on which he served during the period for which he was a director.

Independent Directors. The Board has determined that Messrs. Bowman, Brown, Dornemann, Levy, Moses and Sheresky are "independent" directors as defined under the rules of the NASDAQ Stock Market. During the fiscal year ended October 31, 2007, the independent directors met in executive session (outside the presence of management) on several occasions. The Board has three committees comprised of independent directors, a Compensation Committee, a Corporate Governance Committee and an Audit Committee, each of which is governed by a written charter. These written charters and the Company's code of business conduct and ethics are posted on the Company's website at *www.take2games.com* and can be accessed by clicking on "Corporate," then "Corporate Overview" then "Governance Policies." The Board has an Executive Committee, currently comprised of

Messrs. Dornemann (Chair), Feder and Zelnick. The Board also established a Special Litigation Committee in 2006, which is currently comprised of Messrs. Brown, Levy and Zelnick, which, among other things, is responsible for investigating the allegations made in certain stockholder derivative actions and investigating the Company's past option granting practices. Certain information as to the Compensation Committee, the Corporate Governance Committee and the Audit Committee is set forth below.

Compensation Committee. The Company has established a Compensation Committee of the Board of Directors, currently comprised of Messrs. Dornemann (Chair), Sheresky and Moses. The function of the Compensation Committee is to review compensation policies and procedures of the Company, evaluate and approve the executive officers' compensation and make recommendations to the Board of Directors regarding executive compensation. The Compensation Committee held 11 meetings during the fiscal year ended October 31, 2007.

Corporate Governance Committee. The Company has established a Corporate Governance Committee, currently comprised of Messrs. Moses (Chair), Bowman, Brown and Sheresky. This committee is responsible for creating and maintaining overall corporate governance policies for the Company and identifying, screening and recruiting director candidates for the Board of Directors. The Corporate Governance Committee held three meetings during the fiscal year ended October 31, 2007.

The Corporate Governance Committee will consider nominees recommended by stockholders, provided that the recommendation contains sufficient information for the Committee to assess the suitability of the candidate. Candidates recommended by stockholders that comply with these procedures will receive the same consideration that candidates recommended by the Committee receive.

When selecting directors, the Board will review and consider many factors, including experience, business understanding, achievement, available time, diversity, age, skills and independence. It will also consider ethical standards, integrity and any conflict of interest. It considers recommendations primarily from members of the Board and management. The Committee conducts interviews with candidates who meet the Board's criteria, and has full discretion in considering its nominations to the Board. The Board of Directors adopted Corporate Governance Guidelines, which include criteria to assess the suitability of candidates for the Board of Directors. These Corporate Governance Guidelines are posted on the Company's website at "*www.take2games.com*" and can be accessed by clicking on "Corporate," then "Corporate Overview" then "Governance Policies."

A stockholder wishing to nominate a candidate for election to the Board at the Company's Annual Meeting of Stockholders to be held in 2009 is required to give written notice of an intention to make such a nomination by no later than November 11, 2008. Such notice should be addressed to Take-Two Interactive Software, Inc., 622 Broadway, New York, New York 10012, Attention: Corporate Communications.

The notice of nomination is required to contain information about both the nominee and the stockholder making the nomination, including information regarding the recommended candidate relevant to a determination of whether the recommended candidate would be barred from being considered independent under the applicable rules of the NASDAQ Stock Market, or, alternatively, a statement that the recommended candidate would not be so barred. A nomination that does not comply with the above requirements will not be considered.

Audit Committee. The Company has established an Audit Committee of the Board of Directors, currently comprised of Messrs. Levy (Chair), Dornemann and Moses. The Board of Directors has determined that Mr. Levy qualifies as an "audit committee financial expert" under federal securities laws. The Audit Committee held five meetings during the fiscal year ended October 31, 2007.

Director Training. Mr. Levy, Chairman of the Audit Committee, has completed 64 hours of training sessions since May 2006, including "Audit Committee Institute Roundtable" presentations by

KPMG; a "Stock Option Backdating and Practices Conference" presented by Blank Rome LLP; an "Audit Committee Fundamentals Seminar," "Annual Corporate Governance Conference" and an "Audit Committee Issues Conference" presented by NACD; a "National SEC Reporting Conference" and an "Institute FASB/GAAP In-Depth Workshop" presented by the SEC; and an "Annual Board Room Summit" presented by Corporate Board Member Magazine. Mr. Moses also attended the "Annual Board Room Summit" presented by Corporate Board Member Magazine. Mr. Sheresky attended the first day of a "Director Training and Certification Program" presented by UCLA Anderson School of Management. Messrs. Brown, Dornemann, Feder, Moses and Zelnick participated in ISS accredited training provided by The Director's Network, via Deloitte & Touche. In December 2007, the Board adopted a director training policy providing that directors shall attend at least eight hours of ISS accredited training each year.

Director Stock Ownership Guidelines. In June 2007, the Company adopted stock ownership guidelines for non-employee directors of the Company. Under these guidelines, non-employee directors are encouraged to own shares of Common Stock having a value equal to three times the annual cash retainer paid by the Company to its non-employee directors, which is currently $60,000. The ownership guidelines propose that current non-employee directors achieve such stock position within five years after the date of the adoption of the guidelines and that future non-employee directors achieve such ownership position within five years after the date of their election to the Board.

Code of Business Conduct and Ethics. In September 2007, the Company adopted a revised written Code of Business Conduct and Ethics that applies to the directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer, principal accounting officer and controller and any persons performing similar functions. A copy of the Code of Business Conduct and Ethics is posted on the Company's website at "*www.take2games.com*" and can be accessed by clicking on "Corporate," then "Corporate Overview" then "Governance Policies."

Conflict of Interest Guidelines for Directors / Directors' Code of Conduct. In September 2007, the Company adopted a written Conflict of Interest Guidelines for Directors / Directors' Code of Conduct that applies to directors of the Company. A copy of the Conflict of Interest Guidelines for Directors / Directors' Code of Conduct is posted on the Company's website at "*www.take2games.com*" and can be accessed by clicking on "Corporate," then "Corporate Overview" then "Governance Policies."

Attendance at Stockholder Meetings. The Board has adopted a policy whereby directors are strongly encouraged to attend the Company's annual meeting of stockholders. Three of our former directors and all of our current directors attended the last annual meeting of the Company's stockholders in March 2007.

Certain Legal Proceedings. As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007 accompanying this proxy statement, the Company and certain of its former officers and directors and two current directors, Messrs. Brown and Levy, are defendants in a number of legal proceedings, including a number of purported derivative proceedings.

COMPENSATION DISCUSSION AND ANALYSIS

Objectives and Philosophy of Executive Compensation

The Company's mission is to produce superior financial returns to stockholders by creating and distributing premium quality interactive entertainment software designed to meet the mainstream entertainment choices of an increasingly mature and sophisticated audience. In order to fulfill this mission, the Company must attract and retain employees, including our principal executive officer, principal financial officer and the three other most highly compensated executive officers of the Company (collectively, the "*Named Executive Officers*"), who are committed to creativity, efficiency and innovation, who will support the Company's strong team orientation, and who understand and are capable of adhering to sound corporate governance policies. Our approach to executive compensation this past fiscal year has been particularly proactive and focused, due to the challenges we face in recruiting and retaining employees as a result of past regulatory and legal issues affecting the Company. Accordingly, our executive compensation is designed to:

- enhance the profitability of the Company and increase stockholder value;
- align the Named Executive Officers' and stockholders' interests by encouraging and facilitating significant ownership of our Common Stock by the Named Executive Officers;
- provide competitive compensation that will attract and retain qualified Named Executive Officers;
- reward Company success, while promoting each Named Executive Officers' profitability, individual initiative, leadership and achievement and contribution to the Company's growth; and
- motivate the Named Executive Officers to build a career at the Company, to contribute to our future success and to build long-term stockholder value by linking a significant part of their compensation to the Company's financial and stock price performance, especially long-term performance.

A significant portion of total compensation paid to the Company's Named Executive Officers is placed at risk through annual and long-term incentives. As shown in the Summary Compensation Table, in 2007, restricted stock awards, stock options and annual bonuses in the aggregate represented on average approximately 60% of the compensation for the Named Executive Officers. The combination of incentives is designed to balance annual operating objectives and Company earnings performance with longer-term stockholder value creation.

The Company seeks to provide competitive compensation that is commensurate with performance. The Company has recently instituted a planning and goal-setting process (on a Company-wide, business unit and individual basis) that is integrated into the compensation system, enhancing the relationship between individual efforts, Company results, and financial rewards.

Role of the Compensation Committee

General

The Compensation Committee reviews compensation policies and procedures of the Company and evaluates and approves the Named Executive Officers' compensation. The Compensation Committee currently consists of three members of the Company's Board of Directors, Messrs. Dornemann (Chair), Sheresky and Moses, each of whom is an independent director under Nasdaq's Rule 4200, a "non-employee director" as defined under the SEC rules and an "outside director" as defined under Section 162(m) of the Internal Revenue Code (the "Code"). The Compensation Committee held 11 meetings during the fiscal year ended October 31, 2007.

Role of Management

When considering decisions concerning the compensation of the Named Executive Officers (other than the Chief Executive Officer), the Compensation Committee asked for the recommendations of the Chairman (now the Executive Chairman) and the Chief Executive Officer, including their evaluation of each of the Named Executive Officers' performance.

Use of Outside Advisors

In making its determinations with respect to executive compensation, the Compensation Committee has historically engaged the services of independent compensation consulting firms. During the course of the fiscal year, Executive Compensation Advisors advised the Company with respect to the appropriate compensation for Ms. Goldstein's employment agreement and in September 2007, the Compensation Committee retained the services of Executive Compensation Advisors to perform benchmarking of compensation packages, to review our compensation programs and to develop recommendations regarding our annual and long-term incentive programs in which Ms. Goldstein and Mr. Krauss participate. In addition, from time to time during the fiscal year, the Company utilized data from Radford Surveys + Consulting. The compensation consultants typically obtain input and feedback from management regarding its consulting work product prior to finalization and presentation to the Compensation Committee in order to confirm alignment with the Company's business strategy, resolve questions regarding compensation data or other similar issues, if any.

The Compensation Committee has the authority to retain, terminate and set the terms of the Company's relationship with any outside advisors that assist the Compensation Committee in carrying out its responsibilities.

Elements of Executive Compensation

Pay Element Overview

Executive compensation for our Named Executive Officers consists of the following elements:

- Base salary
- Annual incentive compensation
- Long-term incentives (consisting of restricted stock and stock options)
- Other compensation (consisting of a 401(k) plan, a medical expenses reimbursement plan and other benefits and perquisites)
- Employment and management agreements

During the fiscal year ended October 31, 2007, Mr. Feder received no direct compensation from us, other than payment of life insurance premiums and reimbursement under the Company's medical expense reimbursement plan. Accordingly, his compensation is not described under the headings "Base Salary," "Annual Incentive Compensation" and "Long-Term Incentives." On February 14, 2008, we entered into an employment agreement with Mr. Feder under which he will receive an annual salary of $1.00 and he will be entitled to participate in all benefits and plans which the Company may institute from time to time for our executive officers and employees. In addition, as a partner of ZelnickMedia, Mr. Feder is indirectly compensated by us through our management agreement with ZelnickMedia. See "Executive Compensation Employment, Management and Separation Agreements ZelnickMedia Corporation" for further information regarding our management agreement with ZelnickMedia and our employment agreement with Mr. Feder.

Base Salary

The Company pays base salaries to certain Named Executive Officers in order to provide them with fixed pay that takes into account their role and responsibilities, experience, expertise and individual performance. Decisions regarding salary increases take into account the Named Executive Officers' current salary, the salary of other Company executives, the value in the marketplace and the executive's performance. The Compensation Committee reviewed and approved the base salaries for the Named Executive Officers (other than the Chief Executive Officer) based on these factors. Base salaries are set in the Named Executive Officers' employment agreements and are subject to annual review by the Compensation Committee, including for discretionary increases from year to year.

Annual Incentive Compensation

The Compensation Committee has the authority to award annual performance-based bonuses to certain Named Executive Officers pursuant to their employment agreements with the Company. The Compensation Committee believes that the annual performance-based bonuses provide the incentives necessary to retain our Named Executive Officers and reward them for their attainment of the Company's business goals.

Pursuant to her employment agreement, Ms. Goldstein is eligible for an annual performance-based cash bonus equal to up to 75% of her base salary based on the achievement of certain budgeted EBITDA as follows:

Actual EBITDA	Annual Bonus
Less than 80% of the budget	No bonus earned
80% 100% of the budget	12.5% 50% of base salary
100% 120% of the budget	50% 75% of base salary
Greater than 120% of the budget	Capped at 75% of base salary

"Actual EBITDA" is defined as the net income recorded for the Company, adding back interest, depreciation, amortization and tax expenses and excluding one-time and extraordinary items. If Actual EBITDA is in between the range, the bonus is determined on a proportional, sliding scale basis. The Company's budgeted EBITDA is determined by the Board after consultation with Ms. Goldstein and in accordance with past practices, and these targets were established to be aligned with our historical bonus structure. For the year ending October 31, 2007, the budgeted EBITDA was $30,400,000, but due the delayed release of Grand Theft Auto IV, actual EBITDA was less than 80% of budgeted EBITDA and Ms. Goldstein did not receive a bonus for the fiscal year 2007. However, the Compensation Committee intends to consider, at its regularly scheduled second quarter meeting in March 2008, an award to Ms. Goldstein which would be a special bonus equal to 50% of her base salary in recognition of her overall strong performance during the 2007 fiscal year, a significant portion of which was in her capacity as our Chief Financial Officer.

Mr. Krauss is also eligible to receive an annual performance-based cash bonus equal to up to 50% of his base salary, based on reasonable and appropriate quantitative and qualitative performance targets. In the fiscal year ended October 31, 2007, Mr. Krauss received a one-time bonus in the amount of $50,000, which was subject to, and paid upon, the completion of three months of employment. This bonus was part of the compensation awarded to encourage Mr. Krauss to join the Company and to compensate him for forfeited equity awards granted by a prior employer. In addition, the Compensation Committee awarded an annual performance bonus of $116,500 to Mr. Krauss. This bonus was awarded in recognition of his strong performance during the fiscal year, including, for example, enhancing and expanding our legal department, addressing the global governance of the Company, managing our internal investigation of our past option granting practices and the related litigation and regulatory investigations, interfacing and coordinating with management, ZelnickMedia and the Board, and assuming responsibility for additional duties, such as managing insurance globally and administratively managing our internal audit department. The amount of the $116,500 bonus was calculated based on the full amount of Mr. Krauss's target bonus equal to 50% of his annual salary, pro rated for the portion of the fiscal year Mr. Krauss was employed by us. Mr. Krauss's employment agreement contemplates that any cash bonus for the fiscal year 2007 be prorated for the period of his employment.

In addition, pursuant to their former employment agreements which were effective during part of our fiscal year 2007, Messrs. Eibeler, Winters and Judd were each eligible for an annual performance-based cash bonus, based on the achievement of certain performance targets and mutually agreed upon: Mr. Eibeler in an amount of up to 100% of his base salary, Mr. Winters in an amount of up to 50% of his base salary and Mr. Judd in an amount of $275,000. However, Messrs. Eibeler, Winters and Judd were not awarded annual performance bonuses because of the termination of their employment with the Company prior to the end of our fiscal year 2007.

In September 2007, Executive Compensation Advisors made recommendations regarding our annual and long-term incentive award programs so that our 2008 program will be consistent across the Company and market competitive. Our 2008 program is based on key business metrics (generally, the extent to which profitability exceeds a certain budget) and results will be determined based on formulaic results, at the individual and/or group level. For corporate executives other than Messrs. Feder, Krauss and Slatoff and Ms. Goldstein, the annual incentive plan is based on the achievement of an EBITDA target that is established prior to the beginning of the Company's fiscal year and the annual bonus opportunity is as follows:

	Budget Achieved	Payout
Below Threshold	< 75% of Budget	0% payout
Threshold	75% of Budget	20% payout equal to 10% of base salary
Target	100% of Budget	100% payout equal to 50% of base salary
Maximum	125% of Budget	150% payout equal to 75% of base salary

If the budget is in between the range, the payout is proportional to the actual budget achieved. While achieving the targets of our 2008 program is substantially uncertain, the targets set forth above are challenging yet attainable goals for our talented management team. The target bonus is designed to provide corporate executives with a normal target bonus if the Company performs to expectation. The threshold bonus is designed to provide corporate executives with some bonus opportunity, but less than the target opportunity if the Company does not achieve its expected budgeted performance. If the Company exceeds its budgeted performance, corporate executives will be paid a bonus in excess of the target up to the maximum amount on a proportional sliding scale in order to reward them for the Company's outstanding performance.

Long-Term Incentives

We believe that equity-based awards are an important factor in aligning the long-term financial interest of the officers and stockholders. The Compensation Committee continually evaluates the use of equity-based awards and intends to continue to use such awards in the future as part of designing and administering the Company's compensation program. All grants made to the Named Executive Officers are issued on the first available grant date following the date they are approved by the Compensation Committee, which is the fifth trading day following the filing date with the SEC of our quarterly or annual report, as the case may be.

The Company has an incentive stock plan and a stock option plan that permit the Company to grant equity incentives in the form of stock options and/or restricted stock awards. These awards are designed to provide emphasis on providing significant incentives for continuing growth in stockholder value. Equity-based awards were generally granted on an annual basis to existing key employees and on a quarterly basis to new key employees on the commencement of employment and to existing key employees following a significant change in job responsibilities or to meet other special retention objectives. During the fiscal year ended October 31, 2007, the Named Executive Officers were granted stock options and restricted stock. However, since February 2007, the Company has and intends in the future to predominantly grant restricted stock in order to provide for an award that contains both substantial incentive and retention characteristics.

Before September 2007, in determining the amount of stock options or restricted stock to be granted to the Named Executive Officers, we generally took into account historical practices and any special retention objectives. However, for the fiscal year 2008, we have generally followed certain guidelines in our 2008 long-term equity incentive program which was recommended by Executive Compensation Advisors and adopted by the Compensation Committee. Pursuant to these guidelines, the amount of an award granted to a Named Executive Officer (other than Messrs. Feder and Slatoff) is based on a dollar range from $250,000 to $350,000 for U.S.-based executives and from $175,000 to $245,000 for non-U.S.-based executives. The Chief Executive Officer makes recommendations to the Compensation Committee and the Compensation Committee then determines the amount of the award that will be granted within the dollar range. On December 28, 2007, the Compensation Committee granted certain equity awards to Ms. Goldstein (valued at $300,000) and Mr. Krauss (valued at $350,000) in recognition of their fiscal year 2007 performance. Such awards were within the dollar range contemplated for Named Executive Officers. Such grants contain both time-based vesting and performance-based vesting, because the Compensation Committee and management believe that equity awards should contain a performance element in order to better align the Named Executive Officers' performance with the success of the Company.

In the past, the Compensation Committee granted equity awards by designating a specific number of shares underlying the award. However, since September 2007, the Compensation Committee has generally determined the dollar value of a grant, using the average of the closing price of the Common Stock during the 10-day period preceding the date of grant, and then calculated a grant to correspond to such dollar value. In addition, the Compensation Committee generally follows a practice of granting equity awards on a quarterly basis, and since June 2007, the Compensation Committee has granted awards on the fifth trading day after the Company files its Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as applicable. We have also employed Merrill Lynch to perform stock services administration which, among other things, allows us to better manage the sale of stock by Named Executive Officers (upon vesting) and cover the Named Executive Officer's tax liabilities. We believe that implementing the foregoing measures will ensure sound equity granting practices.

Stock Options

Our 2002 Stock Option Plan (the "*2002 Plan*") authorizes us to grant options to purchase shares of common stock to our officers, directors, employees and consultants. The Compensation Committee reviews and approves stock option awards to the Named Executive Officers based upon a review of competitive compensation data, its assessment of individual performance, a review of each Named Executive Officer's existing long-term incentives, and retention considerations.

During the fiscal year ended October 31, 2007, certain Named Executive Officers were awarded stock options in the amounts indicated in the Grants of Plan-Based Awards Table. This includes stock options granted to Mr. Krauss in connection with the commencement of his employment (which includes grants to compensate him for forfeited equity granted by a prior employer). Stock options granted by us have an exercise price equal to the fair market value of our common stock on the day of grant, typically vest over a three-year period (with 33% vesting 12 months after the grant date and the remainder vesting ratably each year thereafter based upon continued employment) and generally expire five years after the date of grant. The vesting of stock options may be accelerated in certain situations pursuant to the terms of the Named Executive Officer's employment agreement. See the Potential Payments Upon Termination or Change in Control table for further information regarding the accelerated vesting of stock options.

Other Equity-Based Awards

Our Incentive Stock Plan authorizes us to grant restricted stock, deferred stock and other stock-based awards of our common stock to directors, officers and other employees. Our Compensation Committee oversees the administration of this plan. We are amending the Incentive Stock Plan, conditioned on the approval of Proposal 2, in order to: (i) provide for an increase in the number of shares of Common Stock reserved for issuance under the Incentive Stock Plan and (ii) permit the issuance of awards under the Incentive Stock Plan to consultants of the Company and its subsidiaries.

During the fiscal year ended October 31, 2007, certain Named Executive Officers were awarded restricted stock in the amounts indicated in the Grants of Plan-Based Awards Table. This includes restricted stock granted to Mr. Krauss in connection with the commencement of his employment (which includes grants to compensate him for forfeited equity granted by a prior employer) and to Ms. Goldstein in connection with her promotion to the position of Chief Financial Officer. Such restricted stock vests in one-third increments on the first, second and third anniversaries of the date of grant. The vesting of restricted stock may be accelerated in certain situations pursuant to the terms of the Named Executive Officer's employment agreement. See the Potential Payments Upon Termination or Change in Control Table for further information regarding the accelerated vesting of restricted stock.

On December 6, 2006, the Compensation Committee approved awards of restricted stock to Messrs. Eibeler and Winters, subject to stockholder approval of an amendment to the Incentive Stock Plan providing for an increase in the number of shares of Common Stock reserved for issuance thereunder. The amendment was thereafter approved by stockholders on March 29, 2007 and these awards were granted on such date. Such awards were made based on the Named Executive Officers' performance and to encourage continued service with us and recalibrate their ownership on a percentage basis, taking into account equity dilution resulting from stock issuances and grants made to recently hired executives. Such restricted stock was initially scheduled to vest in one-third increments on the first, second and third anniversaries of the date of grant, which vesting was accelerated upon the termination of their employment with the Company in April 2007.

Other Compensation

401(k) Plan

We maintain a 401(k) savings plan and trust for our eligible employees in which Ms. Goldstein and Mr. Krauss are eligible to participate, although currently only Ms. Goldstein participates. The plan permits each participant to make voluntary pre-tax contributions and in addition, we make matching contributions equal to 50% of the participant elective deferral (excluding catch-up contributions), up to the first 6% of the participant's salary that is contributed to the 401(k) savings plan. Please see the "All Other Compensation" column in the Summary Compensation Table for further information regarding these benefits.

Medical Expenses Reimbursement Plan

We maintain a Medical Expenses Reimbursement Plan (the "*MERP*") for certain eligible employees and all of the Named Executive Officers participate, except for Messrs. Eibeler, Winters and Judd who are no longer employed by us. Pursuant to the MERP, Mr. Feder, Ms. Goldstein and Mr. Krauss are reimbursed for unreimbursed medical, dental and vision expenses, up to $10,000 per year.

Other Benefits and Perquisites

We provide health insurance, dental insurance, life and accidental death and dismemberment insurance and short-term and long-term disability benefits for our Named Executive Officers on the same basis as such benefits are generally provided to our employees, except that Mr. Feder, Ms. Goldstein and Mr. Krauss and are also eligible for the MERP. Mr. Krauss receives a car allowance of $1,000 per month, and pursuant to their former employment agreements with us, Messrs. Eibeler, Winters and Judd were entitled to a car allowance, as follows: Mr. Eibeler, $1,000 per month and each of Messrs. Winters and Judd, $800 per month. However, in lieu of car allowances, Messrs. Eibeler, Winters and Judd used Company-leased cars which included Company-paid insurance, gas and parking, and such arrangements exceeded each of their respective car allowances provided pursuant to their employment agreements. In addition, we provided an additional life insurance policy of $1 million for Messrs. Eibeler, Winters and Judd while they were employed with us and we paid the premiums for such policies.

While the Compensation Committee in its discretion may revise, amend or add to the Named Executive Officers' benefits if it deems it advisable, we have no current plans to change the levels of benefits currently provided to our Named Executive Officers. The Company annually reviews these other benefits and makes adjustments as warranted based on competitive practices, the Company's performance and the individual's responsibilities and performance. The Compensation Committee has approved these other benefits as a reasonable component of the Company's executive compensation program. Please see the "All Other Compensation" column in the Summary Compensation Table for further information regarding these benefits.

Employment, Management and Separation Agreements

Employment Agreements

As of October 31, 2007, we had employment agreements with Ms. Goldstein and Mr. Krauss which provide for, among other things, base salary, bonus, general severance benefits and change in control benefits. The severance payable to Mr. Krauss if he is terminated without "cause" (as defined in his employment agreement and summarized in footnote 3 to the Potential Payments Upon Termination or Change in Control Table) within the first two years of the initial term of the agreement is generally enhanced, as he is entitled to continued payments of base salary for 24 months following his termination. We believe that Mr. Krauss's severance is reasonable and appropriate, given Mr. Krauss's responsibilities and in light of the legal and operational challenges the Company faced at the time of his retention, and such severance was a point of negotiation of his employment terms. We also believe that granting these arrangements with our Named Executive Officers is an important element in the retention of such Named Executive Officers which is consistent with our compensation philosophy.

On February 14, 2008, we entered into an employment agreement with Mr. Feder that provides for, among other things, base salary of $1.00. He will also be eligible to participate in all benefits and plans which the Company may institute from time to time for our executive officers and employees. Upon termination of his employment, Mr. Feder is not entitled to any general severance benefits.

We believe that a strong, experienced management team is essential to the best interests of the Company and our stockholders. We recognize that the possibility of a change in control could arise and that such a possibility could result in the departure or distraction of members of the management team to the detriment of the Company and our stockholders. We have entered into the employment agreements with Ms. Goldstein and Mr. Krauss in order to minimize employment security concerns arising in the course of negotiating and completing a significant transaction. The benefits, which are payable if there is a change of control (with respect to Ms. Goldstein) or if the Named Executive Officer is terminated by the Company without cause in connection with a change in control, are enumerated and quantified in the section captioned "Executive Compensation Employment, Management and Separation Agreements."

ZelnickMedia Management Agreement

We entered into a management agreement, dated March 30, 2007, with ZelnickMedia, a media investment and management firm, to provide us with executive management services through October 31, 2011 (with automatic one-year renewals thereafter). Stockholders then holding approximately 46% of our outstanding shares of Common Stock negotiated the management agreement on our behalf and, after their election at the 2007 annual meeting of stockholders, the directors of the Company approved the execution of the management agreement by the Company, with Messrs. Feder and Zelnick not participating in the vote or discussion related thereto. Pursuant to the management agreement, ZelnickMedia provides financial and management consulting services to the Company. ZelnickMedia consults with the Board of Directors and management of the Company and its subsidiaries in such manner and on such business and financial matters as may be reasonably requested from time to time by the Board of Directors. In addition, pursuant to the management agreement, Strauss Zelnick may hire and/or terminate the chief executive officer and the chief financial officer, subject to the approval of the Compensation Committee of the Board. Messrs. Zelnick, Feder and Slatoff, each of whom is a partner at ZelnickMedia, as well as other employees of ZelnickMedia, provided services to us during the fiscal year ended October 31, 2007 pursuant to the management agreement. The management agreement also provides for, among other things, an annual fee, an annual incentive bonus, reimbursement of expenses and a grant of options to purchase 2,009,075 shares of Common Stock.

On February 14, 2008, we entered into an amendment to the management agreement with ZelnickMedia. The amendment, among other things, increases the annual management fee and the maximum annual bonus effective April 1, 2008, extends the term of the management agreement by one year to October 31, 2012 effective immediately and provides that ZelnickMedia will provide the services of certain individuals, including the services of Messrs. Zelnick, Feder and Slatoff, and such other individuals as it deems appropriate on a project-by-project, as needed basis for the performance of the management agreement. In addition, the amendment to the management agreement with ZelnickMedia provides that subject to, and effective only upon, the approval of the proposal to amend the Incentive Stock Plan (Proposal 2) at the Annual Meeting, the management agreement will also provide for additional awards of time-based and performance-based restricted stock to ZelnickMedia.

For more information regarding our management agreement with ZelnickMedia and the recent amendment thereto, see "Executive Compensation Employment, Management and Separation Agreements ZelnickMedia Corporation."

Separation Agreements.

As more fully described in the section captioned "Executive Compensation Employment, Management and Separation Agreements," our employment agreements with Messrs. Eibeler, Winters and Judd were terminated and Messrs. Eibeler and Winters entered into Separation Agreements and General Releases, which provide for, among other things, severance payments, consulting fees, certain health benefits and a car allowance.

Pay Mix

We utilize the particular elements of compensation described above because we believe that it provides a well-proportioned mix of secure compensation, retention value and at-risk compensation which produces short-term and long-term performance incentives and rewards. By following this approach, we provide the Named Executive Officers with a measure of security in the minimum expected level of compensation, while motivating our Named Executive Officers to focus on business metrics that will produce a high level of short-term and long-term performance for the Company and long-term wealth creation for the Named Executive Officers, as well as reducing the risk of recruitment of top executive talent by competitors. The mix of metrics used for our annual performance bonus and long-term incentive program likewise provides an appropriate balance between short-term financial performance and long-term financial and stock performance.

For our Named Executive Officers, the mix of compensation is weighted toward at-risk pay (annual incentives and long-term incentives). Maintaining this pay mix results fundamentally in a pay-for-performance orientation for the Company's Named Executive Officers, which is aligned with the Company's stated compensation philosophy of providing compensation commensurate with performance.

Pay Levels and Benchmarking

Pay levels for our Named Executive Officers are determined based on a number of factors, including the individual's role and responsibilities within the Company, the individual's experience and expertise, pay levels in the marketplace for similar positions and performance of the individual and the Company as a whole. The Compensation Committee is responsible for approving pay levels for the Named Executive Officers. In determining pay levels, the Compensation Committee considers all forms of compensation and benefits, including the mix thereof.

The Compensation Committee assesses "competitive market" compensation using a number of sources. The Compensation Committee has not historically established benchmarks for the Named Executive Officers' compensation, and instead, has determined compensation levels based on the compensation of other executives of the Company and the general performance of the Company. However, the Compensation Committee expects to use benchmarking in the future to determine the compensation of its Named Executive Officers. In September 2007, the Compensation Committee reviewed total compensation (including base salary, bonuses and long-term incentives) as compared to competitive market data for Ms. Goldstein and Mr. Krauss using competitive market data provided by Executive Compensation Advisors. In addition, in performing its competitive market analysis for establishing our 2008 incentive program, Executive Compensation Advisors performed a peer group analysis composed of the following 19 companies:

GameStop	Playboy Enterprises
Electronic Arts	Mattel
Activision	Hasbro
THQ	Jacks Pacific
Midway Games	Leap Frog Enterprises
Warner Music Group	Adobe Systems
Lions Gate Entertainment	Intuit
Navarre	Autodesk