

ASHLAND INC.  
Form 10-K  
November 22, 2010

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

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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended September 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-32532

ASHLAND INC.

Kentucky  
(State or other jurisdiction of incorporation or organization)

20-0865835  
(I.R.S. Employer  
Identification No.)

50 E. RiverCenter Boulevard  
P.O. Box 391  
Covington, Kentucky 41012-0391  
Telephone Number (859) 815-3333

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

At March 31, 2010, the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$4,119,623,083. In determining this amount, the Registrant has assumed that its directors and executive officers are affiliates. Such assumption shall not be deemed conclusive for any other purpose.

At October 31, 2010, there were 78,852,428 shares of Registrant's common stock outstanding.

Documents Incorporated by Reference

Portions of Registrant's Proxy Statement (Proxy Statement) for its January 27, 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this annual report on Form 10-K to the extent described herein.

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PART I

ITEM 1. BUSINESS  
GENERAL

Ashland Inc. is a Kentucky corporation, with its principal executive offices located at 50 E. RiverCenter Boulevard, Covington, Kentucky 41011 (Mailing Address: 50 E. RiverCenter Boulevard, P.O. Box 391, Covington, Kentucky 41012-0391) (Telephone: (859) 815-3333). Ashland was organized in 2004 as the successor to a Kentucky corporation of the same name organized on October 22, 1936. The terms “Ashland” and the “Company” as used herein include Ashland Inc., its predecessors and its consolidated subsidiaries, except where the context indicates otherwise.

Ashland’s business consists of five reportable segments: Ashland Aqualon Functional Ingredients; Ashland Hercules Water Technologies; Ashland Performance Materials; Ashland Consumer Markets (Valvoline); and Ashland Distribution.

Financial information about these segments for each of the fiscal years in the three-year period ended September 30, 2010 is set forth in Note R of “Notes to Consolidated Financial Statements” in this annual report on Form 10-K.

Ashland Aqualon Functional Ingredients is one of the world’s largest producers of cellulose ethers. It provides specialty additives and functional ingredients that primarily manage the physical properties of water-based systems. Many of its products are derived from renewable and natural raw materials and perform in a wide variety of applications.

Ashland Hercules Water Technologies is a leading global producer of papermaking chemicals and a leading specialty chemicals supplier to the pulp, paper, commercial and institutional, food and beverage, chemical, mining and municipal markets. Its process, utility and functional chemistries are used to improve operational efficiencies, enhance product quality, protect plant assets and ensure environmental compliance.

Ashland Performance Materials is a global leader in unsaturated polyester resins and vinyl ester resins. In addition, it provides customers with leading technologies in gelcoats, pressure-sensitive and structural adhesives, and metal casting consumables and design services.

Ashland Consumer Markets, which includes the Valvoline™ family of products and services, is a leading innovator, marketer and supplier of high-performing automotive lubricants, chemicals and appearance products. Valvoline™, the world’s first lubricating oil, is the number three passenger car motor oil brand, and Valvoline Instant Oil Change™ is the number two quick-lube franchise in the United States.

Ashland Distribution is a leading plastics and chemicals distributor in North America. It distributes chemicals, plastics and composite raw materials in North America, as well as plastics in Europe and China. Ashland Distribution also provides environmental services in North America, including hazardous and nonhazardous waste collection, recovery, recycling and disposal services.

At September 30, 2010, Ashland and its consolidated subsidiaries had approximately 14,500 employees (excluding contract employees).

Available Information — Ashland’s Internet address is <http://www.ashland.com>. On this website, Ashland makes available, free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as well as any beneficial ownership reports of officers and directors filed on Forms 3, 4 and 5. All such reports will be available as soon as reasonably practicable after Ashland electronically files such material with, or electronically furnishes such material to, the Securities and Exchange Commission (SEC). Ashland also makes available, free of charge on its website, its Corporate Governance Guidelines; Board

Committee Charters; Director Independence Standards; and its code of business conduct that applies to Ashland's directors, officers and employees. These documents are also available in print to any shareholder who requests them. Information contained on Ashland's website is not part of this annual report on Form 10-K and is not incorporated by reference in this document. The public may read and copy any materials Ashland files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

#### CORPORATE DEVELOPMENTS

On November 5, 2010, Ashland signed a definitive agreement with TPG Accolade, LLC to sell substantially all of the assets of its global distribution business conducted by the Ashland Distribution segment. The transaction is an asset sale with the total cash proceeds expected to be \$930 million, before transaction fees, subject to post-closing working capital

adjustments and certain other adjustments, as specified in the definitive agreement. The transaction is expected to close prior to the end of the March 2011 quarter, subject to the receipt of certain regulatory approvals and the satisfaction of other standard closing conditions.

### ASHLAND AQUALON FUNCTIONAL INGREDIENTS

Ashland Aqualon Functional Ingredients (Functional Ingredients) offers products that are primarily designed to modify the properties of water-based systems. Most of Functional Ingredients' products are sold as key ingredients to other manufacturers, where they are used as small-quantity additives to provide functionality such as thickening and rheology control; water retention; adhesive strength; binding power; film formation; protective colloid, suspending and emulsifying action; foam control; and pH stability. Functional Ingredients has a diversified, global customer base that is serviced directly and through a series of distributors.

Functional Ingredients is comprised of the following businesses:

**Regulated Industries** — Regulated Industries' food applications include bakery, beverage, confectionary, dairy, meat, meat analogues and pet food, prepared foods and sauces, dressings and fillings. Personal care applications include cosmetics, hair care, oral care, skin care, wound care and household products. In the pharmaceutical industry, Regulated Industries' products are used for tablet binding, coatings, modified release and liquid and semi-liquid rheology control.

**Coatings Additives** — Coatings Additives offers a portfolio of complete rheology solutions for consistent, superior performance at very low use levels. For manufacturers of paints and other waterborne coatings products, these additives are crucial in controlling key product characteristics such as gloss, spatter, leveling and build, all of which are critical to delivering paints and coatings that fill specific market demand.

**Construction** — Construction's product applications include tile and adhesive cements, gypsum plasters, renders, joint compounds, concrete, external insulation systems, masonry and mortar cements and self-leveling compounds. These product applications provide a comprehensive array of functional properties including thickening, water retention, sag resistance, workability and consistency, adhesion, stabilization, pumping, rheological properties and strength.

**Energy and Specialties Solutions** — Energy and Specialties Solutions offers water-soluble solutions for a variety of applications in the oil and gas industries including completion and workover fluids, drill-in fluids, oil-well cementing slurries, solvent thickeners and stimulation and hydraulic fracturing. This business also provides high-performance products to the industrial specialties market including applications in ceramics, fire-fighting fluids, foundry, industrial cleaners, inks and printing, mining, paint removers, paper and paper coatings, suspension polymerization and welding rods.

Functional Ingredients currently conducts manufacturing in the Americas, Europe and Asia Pacific at nine facilities in five countries and participates in one joint venture. Functional Ingredients operates manufacturing facilities in Wilmington, Delaware; Dalton, Georgia; Parlin, New Jersey; Kenedy, Texas and Hopewell, Virginia within the United States and Doel-Beveren, Belgium; Jiangmen, China; Alizay, France and Zwijsdrecht, the Netherlands. Functional Ingredients also operates two production facilities through a joint venture in Luzhou and Suzhou, China. In addition, Functional Ingredients has completed construction of a large-capacity hydroxyethylcellulose production facility in Nanjing, China scheduled to begin operations in late 2010.

On January 28, 2010, Ashland completed the sale of its refined wood rosin and natural wood terpenes business, formerly known as Pinova, to a new company formed by TorQuest Partners, a Canadian private equity fund manager,

for approximately \$75 million before taxes, including \$60 million in cash and a \$15 million promissory note from the buyer.

#### ASHLAND HERCULES WATER TECHNOLOGIES

Ashland Hercules Water Technologies (Water Technologies) is a global service business delivering differentiated specialty chemical products to a number of industries including the paper, pulp, chemical, commercial and institutional, food and beverage, mining and municipal industries. Water Technologies is a leading global producer of papermaking chemicals for pulp and paper processing, tissues and towels, packaging, printing and writing papers, and virgin and deinked pulps. Its process, water treatment and functional chemistries are used to improve operational efficiencies, enhance product quality, protect plant assets and ensure environmental compliance. To meet the diverse requirements of its customers, Water Technologies offers a range of services, including analytical and applications laboratories, customized program offerings and, through its StreamLink Specialty Chemicals service model, a focused-service approach.



Water Technologies is comprised of the following businesses:

**Process Chemistries** — The Process Chemistries business manufactures and sells a broad array of deposit control agents, defoamers, biocides and other process additives for markets including pulp and paper manufacturing, food processing, oil refining and chemical processing, general manufacturing and extraction/mining. This business's products are designed to deliver benefits such as enhanced operational efficiencies, system cleanliness, and superior performance in a wide variety of manufacturing operations globally.

**Utility Water Treatment Chemistries** — The Utility Water Treatment Chemistries business provides specialized chemicals and consulting services for the utility water treatment market, which includes boiler water, cooling water, fuel and waste streams. This business also manufactures and sells automated equipment, including performance-based feed and control systems, proprietary monitoring devices and remote system surveillance. The utility water treatment products, services and equipment offerings are designed to protect plant assets and optimize energy, water and operational costs at customers' facilities.

**Functional Chemistries** — The Functional Chemistries business produces specialized chemicals for the paper industry that impart specific properties such as strength, liquid holdout and printability to the final paper or board. Product lines include sizing agents, wet/dry strength additives and specialized products such as crepe and release additives for tissue manufacturing.

Water Technologies operates throughout the Americas, Europe and Asia Pacific. It has 31 manufacturing facilities in 18 countries and participates in two joint ventures. Water Technologies has manufacturing plants in Macon and Savannah, Georgia; Chicopee, Massachusetts; Louisiana, Missouri; Greensboro, North Carolina; Portland, Oregon; Houston, Texas; Franklin, Virginia; Beckley, West Virginia and Milwaukee, Wisconsin within the United States and Chester Hill, Australia; Beringen, Belgium; Americana, Leme and Paulinia, Brazil; Burlington, Canada; Beijing and Shanghai, China; Somercotes, England; Tampere, Finland; Krefeld and Sobernheim, Germany; Perawang, Indonesia; Busnago, Italy; Mexico City, Mexico; Zwijndrecht, the Netherlands; Perm, Russia; Tarragona, Spain; Kim Cheon, South Korea; Helsingborg, Sweden and Nantou, Taiwan. Through separate joint ventures, it has production facilities in Navi Mumbai, India and Seoul, South Korea. Water Technologies also utilizes third-party tolling manufacturers.

Water Technologies markets and distributes its products and services directly and through third-party distributors.

#### ASHLAND PERFORMANCE MATERIALS

Ashland Performance Materials (Performance Materials) is a worldwide manufacturer and supplier of specialty chemicals and customized services to the building and construction, transportation, metal casting, packaging and converting and marine markets. It is a technology leader in unsaturated polyester and vinyl ester resins and gelcoats, high-performance adhesives and specialty resins; and metal casting consumables and design services.

Performance Materials is comprised of the following businesses:

**Composites and Adhesives** — The Composites and Adhesives business manufactures and sells a broad range of corrosion-resistant, fire-retardant, general-purpose and high-performance grades of unsaturated polyester and vinyl ester resins, gelcoats and low-profile additives for the reinforced plastics industry. Key markets include the transportation, construction, marine and infrastructure end markets. It also markets vinyl ester resins under the DERA KANE™ and HETRON™ brand names and unsaturated polyester resins under the AROPOL™ brand name.

The Composites and Adhesives business also manufactures and sells adhesive solutions to the packaging and converting, building and construction, and transportation markets and manufactures and markets specialty coatings and adhesive solutions across multiple industries. Key technologies and markets include: acrylic polymers for

pressure-sensitive adhesives; polyvinyl acetate emulsions; urethane adhesives for flexible packaging applications; aqueous and radiation-curable adhesives and specialty coatings for the printing and converting applications; hot-melt adhesives for various packaging applications; emulsion polymer isocyanate adhesives for structural wood bonding; elastomeric polymer adhesives and butyl rubber roofing tapes for commercial roofing applications; acrylic, polyurethane and epoxy structural adhesives for bonding fiberglass reinforced plastics, composites, thermoplastics and metals in automotive, marine, recreational and industrial applications; specialty phenolic resins for paper impregnation and friction material bonding.

Casting Solutions — Casting Solutions manufactures and sells metal casting chemicals worldwide, including sand-binding resin systems, refractory coatings, release agents, engineered sand additives and riser sleeves. This business also provides casting process modeling, core-making process modeling and rapid prototyping services. In July 2010, Ashland and Süd-Chemie AG (Süd-Chemie) reached a contractual agreement on the formation of a global joint venture to merge their business activities in the foundry chemicals sector. The joint venture, to be known as ASK Chemicals GmbH, will be

headquartered in Hilden, Germany and is expected to close in December 2010. Süd-Chemie and Ashland will each hold a fifty-percent interest in the joint venture with Süd-Chemie providing the operations management leadership.

Performance Materials operates throughout the Americas, Europe and Asia Pacific. It has 29 manufacturing facilities and participates in six manufacturing joint ventures in 14 countries. Composites and Adhesives has manufacturing plants in Fort Smith and Jacksonville, Arkansas; Los Angeles, California; Bartow, Florida; Calumet City, Illinois; Elkton, Maryland; Ashland and Columbus, Ohio; White City, Oregon; Philadelphia and Pittsburgh, Pennsylvania; Piedmont, South Carolina and Milwaukee, Wisconsin within the United States and Sao Paulo, Brazil; Kelowna and Mississauga, Canada; Changzhou and Kunshan, China; Kidderminster, England; Porvoo, Finland; Sauveterre, France; Miszewo, Poland; Benicarlo, Spain; and, through a separate joint venture, has a manufacturing plant in Jeddah, Saudi Arabia. Casting Solutions will contribute manufacturing sites located in Cleveland, Ohio (two sites) and in Campinas, Brazil and Idiazabal, Spain to the Süd-Chemie joint venture. The remaining Casting Solutions manufacturing sites located in Mississauga, Canada; Changzhou, China; Kidderminster, England; Milan, Italy and Castro-Urdiales, Spain will remain with Performance Materials. Casting Solutions also has joint venture manufacturing facilities located in Bendorf and Wuelfrath, Germany; Ulsan, South Korea; Arceniega, Spain and Alvsjo, Sweden.

Performance Materials markets and distributes its products directly and through third-party distributors in the Americas, Europe and Asia Pacific. Additionally, Performance Materials distributes its products through Ashland Distribution in North America.

#### ASHLAND CONSUMER MARKETS

Ashland Consumer Markets (Consumer Markets) markets premium packaged automotive lubricants, chemicals, appearance products, antifreeze and filters, with sales in more than 100 countries. Consumer Markets' Valvoline™ trademark was federally registered in 1873 and is the oldest trademark for lubricating oil in the United States. Consumer Markets markets the following key brands of products and services to the private passenger car, light truck and heavy duty markets: Valvoline lubricants; Valvoline Premium Blue™ commercial lubricants; MaxLife™ lubricant products for vehicles with 75,000 or more miles; Valvoline Professional Series™ automotive chemicals; Pyroil™ automotive chemicals; Eagle One™ automotive appearance products; Car Brite™ automotive reconditioning products; MaxLife™ and Zerex™ antifreeze; Tectyl™ industrial products and Valvoline Instant Oil Change™ automotive services.

Consumer Markets is comprised of the following businesses:

**Do It Yourself (DIY)** — The DIY business sells Valvoline™ and other branded and private label products to consumers who perform their own auto maintenance. These products are sold through retail auto parts stores such as AutoZone, O'Reilly's, Advance Auto Parts, mass merchandisers such as Wal-Mart Stores, Inc., and warehouse distributors and their affiliated jobber stores such as NAPA and CARQUEST.

**Installer Channels** — The Installer Channels business sells branded products and services to installers (such as car dealers, general repair shops and quick lubes) and to auto auctions through a network of independent distributors and company-owned and operated "direct market" operations. This business also sells to national accounts such as Goodyear, Monro and Sears. In addition, this business includes distribution to quick lubes branded "Valvoline Express Care™," which consists of 341 independently-owned and operated stores.

**Valvoline Instant Oil Change (VIOC)** — The Valvoline Instant Oil Change™ chain is the second largest franchise competitor in the U.S. "fast oil change" service business, providing Consumer Markets with a significant presence in the installer channels segment of the passenger car and light truck motor oil market. As of September 30, 2010, 256 company-owned and 606 independently-owned and operated franchise VIOC centers were operating in 41 states. VIOC centers offer customers an innovative computer-based preventive maintenance tracking system that allows service technicians to make service recommendations based primarily on manufacturers' recommendations.

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	2009	2008
Audit(1)	\$ 3,994,594	\$ 4,152,500
Audit-related(2)	2,500	100,700
Tax	502,000	451,000
All Other		
Total	\$ 4,499,094	\$ 4,704,200

- 
- (1) Includes quarterly reviews and audit of financial statements and internal control over financial reporting, statutory audits, services associated with registration statements and other SEC filings. The amount in 2008 also includes assistance in responding to SEC comment letters.
- (2) The amount in 2008 Includes due diligence and accounting consultations in connection with proposed acquisitions.

*Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, that might incorporate this proxy statement or future filings with the SEC, in whole or in part, the following report shall not be deemed to be "soliciting material" or "filed" with the SEC and shall not be deemed to be incorporated by reference into any such filing.*

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

**Review of the Company's Audited Financial Statements for the Fiscal Year Ended October 31, 2009**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements included in the Annual Report with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with U.S. generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61, *Communication With Audit Committees* (as amended), other standards of the Public Company Accounting Oversight Board (United States), rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Audit Committee has received the written disclosures and the letter from the independent registered accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

The Audit Committee also reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting and the independent registered public accounting firm's report on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control, including internal control over financial reporting, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited consolidated financial statements and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended October 31, 2009 filed by the Company with the Securities and Exchange Commission. The Audit Committee also has appointed E&Y as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2010.

**Submitted by the Audit Committee  
of the Board of Directors:**

John F. Levy (Chair)  
Robert Bowman  
J Moses

Dated: February 26, 2010

## COMPENSATION DISCUSSION AND ANALYSIS

### Objectives and Philosophy of Executive Compensation

The Company's mission is to produce superior financial returns to its stockholders by creating and distributing premium quality interactive entertainment software designed to meet the entertainment choices of an increasingly mature and sophisticated audience. To fulfill this mission, the Company must attract and retain employees, including our principal executive officer, principal financial officer and certain other 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 and driving sound corporate governance policies and practices. Accordingly, the compensation for the Named Executive Officers is designed to:

enhance the profitability of the Company and increase stockholder value;

link a significant part of Named Executive Officer compensation to the Company's long-term financial and stock price performance and thereby long-term stockholder value, which aligns the Named Executive Officers' and stockholders' interests by facilitating significant ownership of our Common Stock by the Named Executive Officers;

attract and retain qualified individuals;

reward Company success, while promoting each Named Executive Officer's contribution to the Company's profitability and growth, individual initiative, leadership and achievements and promoting the management of risks;

motivate the Named Executive Officers to build a career at the Company and to continue contributing to our future success; and

permit Named Executive Officers to remain focused on our business even in the midst of change in control transactions.

The Company seeks to provide competitive compensation that is commensurate with performance and integrates individual efforts, Company and business-unit results, and financial rewards. Accordingly, a significant portion of the total compensation paid to the Named Executive Officers is placed at risk through annual and long-term incentives, which combination of incentives is designed to align the performance of the Named Executive Officers and the Company's annual operating objectives and earnings performance with long-term stockholder value creation.

### Executive Chairman, CEO, and Executive Vice President Compensation

As discussed in more detail below, Strauss Zelnick, our Executive Chairman, Ben Feder, our Chief Executive Officer, and Karl Slatoff, our Executive Vice President, are compensated for their respective services to the Company primarily pursuant to the operation of the management agreement (the "*Management Agreement*"), dated as of March 30, 2007, and as amended on July 26, 2007, and February 14, 2008, entered into between the Company and ZelnickMedia, a media investment and management firm, to provide us with executive management services through October 31, 2012. The provisions of the Management Agreement, as described under "Certain Relationships and Related Transactions Management Agreement" below, establish the payments and benefits to which ZelnickMedia is entitled as consideration for providing the services set forth therein; however, the allocation of any revenues of ZelnickMedia among its principals is not set forth in any agreement to which the Company is a party or determined by means of any process in which the Company participates. Such allocation, and the actual amount of compensation received by each of Messrs. Zelnick, Feder, and Slatoff in connection with his provision of services to the Company

pursuant to the Management Agreement, is determined in the sole discretion of ZelnickMedia and without the Company's knowledge.

In February 2008, the Company also entered into an employment agreement with each of Messrs. Feder and Slatoff, pursuant to which they serve as Chief Executive Officer and Executive Vice President, respectively, of the Company, and each of them receives an annual salary of \$1.00. The employment agreements with Messrs. Feder and Slatoff provide that neither of them are entitled to receive an annual bonus from the Company. The employment agreements also provide that each of them are entitled to participate in all benefits and plans which the Company may institute from time to time for its executive officers and employees. Each employment agreement will be in effect for the term of the Management Agreement, unless earlier terminated upon the respective executive's death or resignation, or by the Board of Directors for any reason. Upon a termination of Mr. Feder's or Mr. Slatoff's employment, the Company will have no further obligation towards the terminated executive under his employment agreement other than continued indemnification rights and coverage under the Company's directors' and officers' liability insurance policies. In addition, the employment agreements with Messrs. Feder and Slatoff provide that during their respective employment terms and, in the event of a termination for Cause or without Good Reason, for a period of one year thereafter, each of them will be subject to non-competition and non-solicitation restrictions.

#### **Other Named Executive Officer Compensation**

Except where noted below, the following discussion describes the Company's compensation processes and programs with respect to the Named Executive Officers other than the Executive Chairman, the Chief Executive Officer and the Executive Vice President, who, as described above, are compensated primarily through the operation of the Management Agreement. Furthermore, in light of their mid-year departures, the forward-looking discussion and analysis of compensation below does not apply to Gary Dale or Manuel Sousa.

#### **Operation 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 held nine meetings during the fiscal year ended October 31, 2009.

##### ***Role of Management***

When determining the compensation of the Named Executive Officers, the Compensation Committee solicits from the Executive Chairman and the Chief Executive Officer an evaluation of the performance of, and recommendations with respect to compensation decisions for, each of the Named Executive Officers. In addition, during 2009 with respect to setting 2010 compensation, the Compensation Committee interviewed all of the Named Executive Officers, members of ZelnickMedia and members of our management team who report to the Named Executive Officers in order to better assess each named Executive Officer's performance during the year. The Compensation Committee also interviewed certain of the foregoing individuals in connection with its annual review of ZelnickMedia's fiscal year 2009 performance.

##### **Use of Outside Advisors**

The Compensation Committee has historically engaged the services of independent compensation consulting firms in connection with making executive compensation determinations. Consistent with our practice, in 2009 the Compensation Committee retained Executive Compensation Advisors to provide advice on the appropriate compensation for Mr. Sousa's employment agreement and to review the

compensation programs for our Section 16 Officers and our Board of Directors, and to develop recommendations regarding our annual and long-term incentive programs. In addition, from time to time during the fiscal year, the Company utilized data from Radford Surveys + Consulting.

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.

### **Pay Mix**

We utilize the particular elements of compensation described below 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. For our Named Executive Officers, the mix of compensation is weighted toward at-risk pay (annual incentives and long-term incentives), which is in alignment with the Company's stated compensation philosophy of providing compensation commensurate with individual and corporate performance. ZelnickMedia's compensation under the Management Agreement is also weighted toward at-risk compensation, as ZelnickMedia's compensation is comprised of (1) options to purchase shares of Common Stock, the value of which is derived from share-price increases following the date of grant, (2) shares of restricted stock of which 60% vests subject to the satisfaction of performance criteria, and (3) cash compensation, with 50% of the maximum cash compensation in the form of an annual bonus based upon the Company's performance. See "Certain Relationships and Related Transactions Management Agreement".

### **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. 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. In August and September 2009, the Compensation Committee reviewed total compensation (including base salary, bonuses and long-term incentives) for Ms. Goldstein and Messrs. Krauss and Sousa as compared to competitive market data provided by Executive Compensation Advisors. In addition, in performing its competitive market analysis for establishing our 2010 incentive program, Executive Compensation Advisors performed a peer group analysis composed of the following 15 companies:

Electronic Arts Inc.	Hasbro, Inc.
Activision Blizzard, Inc.	JAKKS Pacific, Inc.
THQ Inc.	LeapFrog Enterprises, Inc.
Warner Music Group Corp.	Adobe Systems Incorporated
Scholastic	Intuit Inc.
Lions Gate Entertainment Corp.	Autodesk, Inc.
DreamWorks Animation SKG, Inc.	McAfee, Inc.
Marvel Entertainment, Inc.	

This peer group is the same as the peer group Executive Compensation Advisors analyzed for our 2009 incentive program except for the addition of Scholastic and the removal of Midway Games Inc., Navarre Corporation and Playboy Enterprises, Inc., which were removed because they no longer maintained a market position or business that was comparable to the other members of the peer group. After consideration of the data collected on external competitive levels of compensation and internal



relationships within the executive group, the Compensation Committee makes decisions regarding individual Named Executive Officer's target total compensation opportunities based on the need to attract, motivate and retain an experienced and effective management team. The Compensation Committee's determinations with respect to fiscal year 2010 compensation were intended generally to target base salary and annual incentive compensation for each Named Executive Officer to be within the median of the competitive market analysis performed by Executive Compensation Advisors during the fiscal year 2009.

As noted above, notwithstanding the Company's overall pay positioning objectives, pay opportunities for specific individuals vary based on a number of factors such as scope of duties, tenure, institutional knowledge and/or difficulty in recruiting a new executive. Actual total compensation and the mix of such compensation in a given year will vary above or below the target compensation levels based primarily on the attainment of operating goals and the creation of stockholder value. The Compensation Committee believes that each of the compensation packages is within the competitive range of practices when compared to the objective comparative data even where subjective factors have influenced the individual compensation decisions.

### **Elements of Executive Compensation**

#### ***Pay Elements Overview***

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

Base salary;

Annual cash incentive compensation;

Long-term equity incentives (generally consisting of restricted stock);

Other compensation (consisting of a 401(k) plan and Company match, a medical expenses reimbursement plan and other benefits and perquisites); and

Severance and change in control protection.

#### ***Base Salary***

The base salary component is intended to provide fixed pay that takes into account a Named Executive Officer's role and responsibilities, experience, expertise, marketplace comparables and individual performance, and although established by the Named Executive Officers' employment agreements, is subject to annual review by the Compensation Committee, including for discretionary year-to-year increases. For the 2009 fiscal year generally, the Company did not award any merit-based salary increases (subject to certain exceptions for promotions and market adjustments) to any employee whose salary was greater than \$150,000 a year or the equivalent thereof.

#### ***Annual Cash Incentive Compensation***

The Compensation Committee has the authority to award annual performance-based cash bonuses to the 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. Ms. Goldstein and Mr. Krauss are eligible to receive annual cash bonuses pursuant to the terms of their employment agreements.

Ms. Goldstein's target contractual bonus equals 12.5% to 75% of her base salary (50% of her base salary, assuming achievement of 100% of the Company's target EBITDA (defined as the GAAP net income recorded for the Company, adding back interest, depreciation, amortization and tax expenses)

for the applicable fiscal year). Ms. Goldstein's actual bonus is a function of actual EBITDA relative to target, as set forth in the following table:

<b>Actual EBITDA</b>	<b>Annual Bonus</b>
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 for the year ended October 31, 2009 was less than budgeted EBITDA by approximately 175%. Accordingly, Ms. Goldstein did not receive an annual cash bonus for fiscal year 2009. In light of Ms. Goldstein's strong qualitative performance during fiscal year 2009, however, Ms. Goldstein received an equity-based award at the maximum value of her annual target range (based on a value of \$700,000) in December 2009. See "Compensation Discussion and Analysis Long-Term Equity Incentives".

Mr. Krauss's target contractual bonus equals 50% of his base salary, based on the achievement of reasonable and appropriate quantitative and qualitative performance targets. Although Mr. Krauss attained his performance targets (including the resolution of litigation matters and governmental investigations and the management of the Company's legal expenses), due to the fact that the Company incurred a net operating loss for fiscal year 2009, the Company did not pay any cash bonuses to Named Executive Officers, and Mr. Krauss received an equity-based award at the maximum value of his annual target range (based on a value of \$700,000) in December 2009. See "Compensation Discussion and Analysis Long-Term Equity Incentives".

Mr. Dale's and Mr. Sousa's employment agreements also provided for similar bonus opportunities; however, due to the termination of their employment during 2009, no annual bonuses were paid to them.

#### ***Long-Term Equity Incentives***

We believe that equity-based awards are an important factor in aligning the long-term financial interests of the Named Executive Officers and certain other employees of the Company 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. Equity-based awards are generally granted to new key employees on a quarterly basis following the commencement of employment and to existing key employees on an annual basis and following a significant change in job responsibilities or to meet other special retention objectives, and all grants made to employees, including the Named Executive Officers, are approved by the Compensation Committee and issued on the fifth trading day following the filing date with the SEC of our next quarterly or annual report, as applicable. The current outstanding awards granted to our Named Executive Officers were made under either the Company's Incentive Stock Plan, its 2002 Stock Option Plan or its 2009 Stock Incentive Plan, each of which is discussed further in "Executive Compensation Narrative Disclosure Regarding Equity Plans and Employment Agreements." All equity awards to the Named Executive Officers made after 2008 have been and will be granted under the 2009 Stock Incentive Plan, or a successor plan.

For fiscal year 2009, the Compensation Committee followed certain guidelines that were recommended by Executive Compensation Advisors, and determined that awards of restricted stock were the most effective means of using equity incentives for performance and retention purposes. Pursuant to the guidelines, awards were determined based on a range of dollar values determined by the Compensation Committee upon the recommendation of our CEO, with the number of shares actually granted based on the average of the closing price of the Common Stock during the 10-day

period preceding the date of grant. For fiscal year 2009, the dollar range for US-based executive officers of the Company, including the Named Executive Officers (other than Messrs. Zelnick, Feder and Slatoff), was \$250,000 to \$700,000, and shares granted to such executive officers vest in three equal annual installments from the date of grant, with the vesting of 50% of the shares also subject to the satisfaction of certain corporate performance criteria.

In December 2009, the Compensation Committee awarded 79,509 shares (based on a value of \$700,000) to each of Ms. Goldstein and Mr. Krauss in recognition of their performance during fiscal year 2009. Said shares vest in three equal annual installments from the date of grant based on the executive's continued service with the Company, and the vesting of 50% of said shares is also subject to the satisfaction of certain Common Stock price targets during the vesting period, which price targets are based upon the appreciation of our Common Stock at a rate of 10% per annum during the vesting period.

### ***Change in Control Benefits***

#### *Change in Control Severance Plan*

In March 2008, the Compensation Committee approved the Take-Two Interactive Software, Inc. Change in Control Employee Severance Plan (the "*CIC Severance Plan*"), a "double-trigger" change in control plan pursuant to which certain eligible employees, including the Named Executive Officers, may receive certain benefits upon a termination of employment either by the Company without cause or voluntarily for good reason, in either case during the 12-month period following a change in control of the Company. The benefits that the Named Executive Officers may become entitled to receive upon a qualifying termination of employment under the *CIC Severance Plan* consist of the following:

a cash severance payment equal to 150% of the sum of the Named Executive Officer's annual base salary and target annual bonus or incentive opportunity;

continued health benefits for a period of 18 months; and

full and immediate vesting of all outstanding and unvested equity awards.

The *CIC Severance Plan* also provides that any given benefit thereunder will not be paid or provided to the extent the applicable Named Executive Officer becomes eligible upon such a termination to receive a greater severance benefit pursuant to his or her employment agreement.

We believe that this level of severance benefits will assist us in recruiting talented individuals to join and remain a part of our management team. From time to time, we may recruit executives from other companies where they have job security, tenure and career opportunities. Accepting a position with us might entail foregoing an otherwise secure position at another employer, and the benefits guaranteed by the *CIC Severance Plan* help to mitigate the risk of harm that the executive may suffer in connection with adverse actions taken by a successor to the Company. Severance benefits also allow our Named Executive Officers to focus on the Company's business without being unduly distracted by concerns about their job security in the event of a change in control.

Severance benefits provided under the *CIC Severance Plan* will be subject to reduction to avoid any excise tax on "parachute payments" under Section 280G of the Internal Revenue Code if the employee would benefit from such reduction as opposed to paying the excise tax. All employees who accept severance payments and, if applicable, the continued health coverage under the *CIC Severance Plan* will be required to sign a release and will be subject to restrictions on the solicitation of employees and customers of the Company for a period of six months following termination as well as a non-disparagement obligation. In addition, all employees who accept any benefits under the *CIC Severance Plan* will be subject to a duty to cooperate reasonably with the Company in any litigation relating to matters in which the employee was personally involved.

*Change in Control Excise Tax Gross-Up*

In response to the potential acquisition of the Company by Electronic Arts Inc. in March 2008, for purposes similar to those behind the implementation of the CIC Severance Plan, the Compensation Committee approved amendments to the employment agreements with both Ms. Goldstein and Mr. Krauss to provide them with a tax gross-up in the event they become subject to any excise tax on excess parachute payments received in connection with a change in control of the Company, provided that if the total amount payable to them in connection with the change in control does not exceed 115% of the maximum amount that could be paid to them without application of any excise tax, then the total amount payable to them in connection with the change in control will be reduced so that no excise tax is imposed, and the gross-up payment will not be made.

***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 participate. The plan permits each participant to make voluntary pre-tax contributions, and in addition, we make matching contributions equal to 50% of the participant's 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. 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 other than Mr. Dale, including for this purpose Messrs. Zelnick, Feder and Slatoff. Pursuant to the *MERP*, the participating Named Executive Officers are reimbursed for medical, dental and vision expenses that are not otherwise reimbursed by our group health insurance program, 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, including for this purpose Messrs. Zelnick, Feder and Slatoff, on the same basis as such benefits are generally provided to our employees.

***Named Executive Officer Terminations During Fiscal Year 2009***

On January 15, 2009, Mr. Dale provided us with notice of his resignation of employment without "good reason" and ceased performing his day-to-day duties for the Company. Mr. Dale's employment agreement terminated on April 15, 2009. Mr. Dale did not receive severance benefits and all of his unvested equity awards were forfeited upon the termination of his employment.

Mr. Sousa's employment agreement and his employment with the Company were terminated by the Company without "cause" effective October 6, 2009. Pursuant to his employment agreement, Mr. Sousa received cash severance benefits equal to \$360,000 and all of his unvested shares of restricted stock of the Company vested on October 6, 2009.

**Impact of Tax and Accounting Rules**

As a general matter, the Compensation Committee reviews and considers the various tax and accounting implications of compensation vehicles utilized by the Company.

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With respect to accounting considerations, the Compensation Committee examines the accounting cost associated with equity compensation in light of requirements under the Accounting Standards Codification ("ASC") Stock Compensation guidance.

With respect to taxes, the Compensation Committee may consider the impact of Section 162(m) of the Internal Revenue Code, which generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of \$1 million in any taxable year to the Named Executive Officers, subject to certain exceptions. However, the Company generally believes that it is in our best interest and that of our stockholders to have the flexibility to pay compensation that is not deductible under the limitations of Section 162(m) of the Internal Revenue Code to provide a compensation package consistent with our program and objectives.

*Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, that might incorporate this proxy statement or future filings with the SEC, in whole or in part, the following report shall not be deemed to be "soliciting material" or "filed" with the SEC and shall not be deemed to be incorporated by reference into any such filing.*

### **REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors of the Company that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the Compensation Committee  
of the Board of Directors:

Michael Sheresky (Chair)  
Michael Dornemann  
J Moses

Dated: February 26, 2010

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**EXECUTIVE COMPENSATION**

The following table sets forth summary information for the fiscal years ended October 31, 2008, and October 31, 2009, with respect to cash and all other compensation paid by the Company to, or earned by, the Company's Named Executive Officers.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year Ended October 31,	Salary (\$)	Stock Awards (\$)(1)	Option Awards (1)	Non-Equity Incentive		Total (\$)
					Plan Compensation (\$)(2)	All Other Compensation (\$)(3)	
Strauss Zelnick(4) <i>Executive Chairman</i>	2009					7,050	7,050
Ben Feder(4) <i>Chief Executive Officer</i>	2009	1				7,050	7,051
	2008	1				7,050	7,051
Lainie Goldstein <i>Chief Financial Officer</i>	2009	500,000	778,472	12,375		14,100	1,304,947
	2008	454,136	561,303	75,881	375,000	13,950	1,480,270
Seth Krauss <i>Executive Vice President and General Counsel</i>	2009	500,000	424,286	279,418		18,200	1,221,904
	2008	450,933	363,412	284,522	375,000	18,950	1,492,817
Karl Slatoff(4) <i>Executive Vice President</i>	2009	1				7,050	7,051
Gary Dale(5) <i>Former Chief Operating Officer</i>	2009	247,636		65,046		25,096	337,778
	2008	528,870	235,073	256,642	458,126	60,011	1,538,722
Manuel Sousa(6) <i>Former Executive Vice President &amp; Head of Human Resources</i>	2009	195,231	165,360			363,525	724,116

- (1) Reflects the dollar amounts recognized with respect to the Named Executive Officers' stock awards and option awards for financial statement reporting purposes during the fiscal year of disclosure. For additional information with respect to stock awards and option awards granted during the fiscal year ended October 31, 2008, see Note 15 under the heading "Stock-Based Compensation Plans" of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008. For additional information with respect to stock awards or option awards granted during the fiscal year ended October 31, 2009, see Note 14 under the heading "Stock-Based Compensation" of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The amounts reflect the accounting expense for these awards and do not correspond to the actual value that may be recognized by such persons with respect to these awards.
- (2) Represents a performance bonus awarded by the Compensation Committee. See "Compensation Discussion and Analysis Annual Cash Incentive Compensation."
- (3) In accordance with SEC rules, the compensation described in this table does not include medical or group life insurance received by the Named Executive Officers that are available generally to all salaried employees of the Company, and except as expressly noted, perquisites and other personal benefits received by the Named Executive Officers that in the aggregate do not exceed \$10,000. The amounts set forth in this column for fiscal year 2009 represent (i) automobile allowances, lease payments and related automotive expenses paid by the Company, (ii) Company contributions to the Company's 401(k) plan, (iii) reimbursements under the Company's medical expense reimbursement plan, and (iv) severance payments, as follows:

Name	Automobile (\$)	Company contributions to 401(k)(\$)	Medical reimbursements (\$)	Severance Payments / Accruals (\$)	Total (\$)
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Strauss Zelnick		7,050		7,050
Ben Feder		7,050		7,050
Lainie Goldstein	7,050	7,050		14,100
Seth Krauss	11,150	7,050		18,200
Karl Slatoff		7,050		7,050
Gary Dale	8,497	16,599		25,096
Manuel Sousa		3,525	360,000	363,525

(4) During the fiscal year ended October 31, 2008, the Company recognized \$2,226,740 of expense related to stock awards and \$11,253,877 related to option awards, in each case as held by ZelnickMedia. During the fiscal year ended October 31, 2009,

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the Company recognized \$2,534,034 of expense related to stock awards and \$3,968,046 related to option awards, in each case as held by ZelnickMedia. See "Compensation Discussion and Analysis CEO Compensation."

- (5) The amounts shown in the Summary Compensation Table for Mr. Dale in fiscal years 2008 and 2009 were converted from Pounds Sterling to United States Dollars based on the average daily exchange rate during such fiscal years of \$1.95:£1 and \$1.54:£1, respectively. On January 15, 2009, Mr. Dale provided us with notice of his resignation of employment without "good reason" and ceased performing his day-to-day duties for the Company. Mr. Dale's employment agreement terminated on April 15, 2009.
- (6) Mr. Sousa's employment agreement and his employment with the Company were terminated by the Company without "cause" effective October 6, 2009.

### Grants of Plan-Based Awards

The following table sets forth information concerning awards under the Company's equity and non-equity incentive plans granted to each of the Named Executive Officers during the fiscal year ended October 31, 2009, including market-based awards and those using time-based vesting. Assumptions used in the calculation of certain dollar amounts are included in Note 14 to the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009.

Name	Grant Date	Date of Compensation Committee Approval	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares or Units (#)(2)	Grant Date Fair Value of Stock Awards (\$)(3)
			Threshold (\$)	Target (\$)	Maximum (\$)		
Strauss Zelnick							
Ben Feder							
Lainie Goldstein			\$ 62,500	\$ 250,000	\$ 375,000		
Seth Krauss				\$ 250,000			
Karl Slatoff							
Gary Dale	December 29, 2008	December 18, 2008				12,584	72,358
Manuel Sousa	June 12, 2009	June 8, 2009				20,670	165,360

- (1) Represents a performance bonus awarded by the Compensation Committee. See "Compensation Discussion and Analysis Annual Cash Incentive Compensation."
- (2) All shares granted to Mr. Sousa are time-based restricted stock awards granted under the Incentive Stock Plan, which awards vest, subject to continuing employment, in three equal annual installments commencing on the first anniversary of the date of grant; however, upon his termination of employment, all such shares granted to Mr. Sousa vested. All of the shares granted to Mr. Dale are subject to the satisfaction of certain performance criteria; however, upon his termination of employment, Mr. Dale forfeited his rights to all unvested equity awards.
- (3) These amounts are valued based on the aggregate grant date fair market value of the award. For additional information, see Note 14 under the heading "Stock-Based Compensation" of the Notes to Consolidated Financial Statement included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The amounts reflect the accounting expense for these awards and do not correspond to actual value that may be recognized by such persons with respect to these awards.

### Narrative Disclosure Regarding Equity Plans and Employment Agreements

#### Equity Plans

##### *2002 Stock Option Plan*

On April 25, 2002, the Company adopted the 2002 Stock Option Plan of Take-Two Interactive Software, Inc. (the "2002 Plan"). Under the 2002 Plan, the Company has reserved up to 11,000,000 shares of Common Stock for issuance in connection with the grant of stock-based



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incentive compensation awards to eligible officers, directors, employees and consultants of the Company in the form of stock options that are intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code, as well as stock options not intended to so qualify, which are referred to as non-qualified stock options. The number of shares of Common Stock that may be granted and the

timing of grants to executive officers and non-executive officers of the Company under the 2002 Plan are subject to the discretion of the Board of Directors or a committee of the Board of Directors that administers the plan, provided that the exercise price of all stock options granted must be at least equal to 100% of the fair market value of the Common Stock on the date of grant (110% in the case of incentive options granted to stockholders who own more than 10% of the outstanding Common Stock). Generally, the maximum number of shares of Common Stock with respect to which awards may be granted to an individual grantee in any one year is 500,000. Options granted under the plan will expire not later than the tenth anniversary of the date of grant (the fifth anniversary in the case of incentive options granted to stockholders who own more than 10% of the outstanding Common Stock). Generally, in the event that an option holder ceases to be employed by the Company, such option holder's options terminate within 90 days. Pursuant to the provisions of the 2002 Plan, the aggregate fair market value, determined as of the date of grant, for which incentive stock options are first exercisable by an option holder during any calendar year cannot exceed \$100,000. The 2002 Plan prohibits the "re-pricing" of an option at an exercise price below the original exercise price of the option.

#### *Incentive Stock Plan*

The Take-Two Interactive Software, Inc. Incentive Stock Plan, adopted by the Board of Directors in June 2003 (the "*Incentive Plan*"), has reserved 4,500,000 shares of Common Stock for issuance in connection with the grant of long-term equity incentive awards to eligible directors, officers, employees, and consultants. Pursuant to the Incentive Plan, the administrator of the plan (the Compensation Committee) may grant to recipients restricted stock, deferred stock or other stock-based awards. Awards granted under the plan after June 2004 are subject to a minimum pro rata vesting period of three years with respect to outright grants and a minimum one-year vesting period with respect to market-based grants. Upon a change in control of the Company, all awards under the Incentive Stock Plan vest in full, unless determined otherwise by the Compensation Committee or the Board of Directors prior to the occurrence of the change in control.

#### *2009 Stock Incentive Plan*

The Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan was approved and adopted on April 23, 2009. Under the 2009 Stock Incentive Plan, the Company may grant stock-based incentive compensation awards to eligible employees (including officers), non-employee directors and consultants in the form of stock options, stock appreciation rights, restricted stock and other stock-based awards.

On April 23, 2009, the Board of Directors approved and adopted amendments to the 2002 Plan and the Incentive Plan to provide that all shares of Common Stock remaining available for grant under such plans as of the close of business on that date would be transferred to the 2009 Stock Option Plan; no shares of Common Stock would be available for the grant of awards under such plans following the close of business on that date; and shares of Common Stock that were subject to any award under either such plan that were forfeited after the close of business on that date would not be available for grant under such plan.

For a more detailed description of the 2009 Stock Incentive Plan, see Proposal 2 ("Amendment to the 2009 Stock Incentive Plan") of this Proxy Statement.

## Equity Compensation Plan Information

The following table presents information concerning our equity compensation plans as of October 31, 2009.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by shareholders	3,803,450	18.45	3,340,425
Equity compensation plans not approved by shareholders			
<b>Total</b>	<b>3,803,450</b>	<b>18.45</b>	<b>3,340,425</b>

*Employment Agreements**Benjamin Feder*

For more information regarding Mr. Feder's employment agreement, see "Compensation Discussion and Analysis" in this Proxy Statement.

*Lainie Goldstein*

Effective July 2007, the Company entered into a three-year employment agreement, as amended, with Lainie Goldstein pursuant to which Ms. Goldstein serves as Chief Financial Officer of the Company. Ms. Goldstein's employment agreement provides for a minimum annual base salary equal to \$500,000, which is subject to annual review by the Compensation Committee and which may be increased at its discretion from time to time. Ms. Goldstein is also eligible to receive an annual bonus during each fiscal year of her employment of up to 75% of her salary, based on the achievement of certain financial targets by the Company, as described above under "Compensation Discussion and Analysis Annual Cash Incentive Compensation." In December 2009, Ms. Goldstein's employment agreement was amended to provide that Ms. Goldstein shall be deemed to have been terminated without cause if the Company provides notice that it will not renew the term of Ms. Goldstein's employment agreement. Ms. Goldstein's employment agreement provides that upon a change in control Ms. Goldstein will receive a "stay bonus" equal to six months of her annual salary, 50% of which is payable on the change in control and 50% of which is payable six months following the change in control (provided Ms. Goldstein is then employed by the Company or was terminated by the Company without cause). The employment agreement provides that upon termination without cause (including her resignation following certain events that will be deemed a termination without cause), the Company will provide Ms. Goldstein with COBRA coverage for 12 months (provided Ms. Goldstein does not obtain other employment which provides substantially similar or improved group health benefits) and pay a lump sum amount equal to the sum of (i) Ms. Goldstein's annual salary, (ii) a termination bonus (equal to either 25% or 50% of her annual salary, depending on the timing of the termination in the fiscal year) and (iii) all unpaid bonuses for the last full fiscal year of employment that would have been paid but for such termination. In addition, if the Company terminates Ms. Goldstein's employment without cause or if the Company provides notice that it will not renew the term of the employment agreement, Ms. Goldstein's employment agreement provides that all of her outstanding and unvested stock options and shares of restricted stock as of the date of such termination will vest immediately and, as applicable, become immediately exercisable. Ms. Goldstein's employment agreement provides that she will receive a gross-up payment to indemnify her for the effect of any excise tax imposed by

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Section 4999 of the Internal Revenue Code in connection with amounts and benefits she receives in connection with a change in control of the Company, except that if the total amount payable to her in connection with the change in control does not exceed 115% of the maximum amount that could be paid to her without application of any excise tax, then the total amount payable to her in connection with the change in control will be reduced so that no excise tax is imposed, and the gross-up payment will not be made. Ms. Goldstein's employment agreement contains standard confidentiality provisions and also provides that during the employment term and for a period of one year following termination, Ms. Goldstein will be subject to non-competition and non-solicitation restrictions.

### *Seth Krauss*

Effective February 2007, the Company entered into an employment agreement, as amended, with Seth Krauss pursuant to which Mr. Krauss serves as Executive Vice President and General Counsel of the Company. The current term of Mr. Krauss's employment agreement expires on October 31, 2010. Pursuant to his employment agreement, Mr. Krauss is entitled to an annual base salary of \$500,000 and is eligible to receive an annual bonus in an amount of up to 50% of his annual base salary, based on the achievement of certain quantitative and qualitative performance targets, as described above under "Compensation Discussion and Analysis Annual Cash Incentive Compensation." Mr. Krauss's employment agreement provides that if his employment is terminated by the Company without cause (including his resignation following certain events that will be deemed a termination without cause), he will be entitled to a lump sum payment within 30 days following the date of termination in an amount equal to the sum of (i) 1.5 times his annual salary; (ii) 1.5 times his target bonus for the year of termination; (iii) either a pro rata target bonus or his target bonus, depending on the timing of termination in the fiscal year; and (iv) all unpaid bonuses for the last full fiscal year of employment that would have been paid but for such termination. In addition, if the Company terminates Mr. Krauss's employment without cause or due to his death or disability, or if the Company provides notice that it will not renew the term of the employment agreement, Mr. Krauss's employment agreement provides that all of his outstanding and unvested stock options and shares of restricted stock as of the date of such termination will vest immediately and, as applicable, become immediately exercisable. In the event of a Company non-renewal, Mr. Krauss will also receive a lump sum payment in an amount equal to the sum of (i) his annual salary, (ii) his target bonus for the fiscal year of termination, and (iii) all unpaid bonuses for the prior full fiscal year, if any, that would have been paid but for such non-renewal. If Mr. Krauss's employment is terminated due to his death or disability, Mr. Krauss will receive a pro-rata portion of his target bonus for the fiscal year of termination. Mr. Krauss's employment agreement further provides that he will receive a gross-up payment to indemnify him for the effect of any excise tax imposed by Section 4999 of the Internal Revenue Code in connection with amounts and benefits he receives in connection with a change in control of the Company, except that if the total amount payable to him in connection with the change in control does not exceed 115% of the maximum amount that could be paid to him without application of any excise tax, then the total amount payable to him in connection with the change in control will be reduced so that no excise tax is imposed, and the gross-up payment will not be made. Mr. Krauss's employment agreement contains standard confidentiality provisions and also provides that during the employment term and, in the event of a termination, for a period of one year thereafter, Mr. Krauss will be subject to non-competition and non-solicitation restrictions.

### *Karl Slatoff*

For more information regarding Mr. Slatoff's employment agreement, see "Compensation Discussion and Analysis" in this Proxy Statement.

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*Gary Dale*

The Company entered into an employment agreement with Gary Dale, effective as of July 2008, pursuant to which Mr. Dale was to serve as Chief Operating Officer of the Company until October 31, 2011. On January 15, 2009, Mr. Dale resigned from the Company without good reason and ceased performing his day-to-day duties for the Company. Mr. Dale's employment with the Company terminated on April 15, 2009. In accordance with the terms of his employment agreement, Mr. Dale received no severance benefits and all of his unvested equity awards were forfeited upon the termination of his employment. Although Mr. Dale's employment agreement provided for bonus opportunities, due to his termination during 2009, no annual bonus was paid to him.

*Manuel Sousa*

On March 16, 2009, the Company entered into an employment agreement with Manuel Sousa, pursuant to which Mr. Sousa was to serve as Executive Vice President and Head of Human Resources of the Company until October 31, 2012. In October 2009, the Company terminated Mr. Sousa's employment without cause. Pursuant to his employment agreement, Mr. Sousa received \$360,000 in severance benefits (consisting of 12 months of base salary), and all of his unvested shares of restricted stock of the Company vested upon termination.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information concerning unexercised stock options, shares of restricted stock and stock options that have not vested and stock awards outstanding for each of the Named Executive Officers as of October 31, 2009.

Name	Option Awards					Stock Awards		
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (1)	Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Stock Grant Date	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Strauss								
Zelnick(4)								
Ben Feder(4)								
Lainie								
Goldstein	10,000			25.10	04/14/2010	3,334	02/01/2007	36,574
	12,000			24.29	07/31/2010	10,000	06/18/2007	109,700
	10,000			10.42	07/31/2011	11,729	12/28/2007	128,667
						60,760	06/13/2008	337,437
Seth Krauss	66,667	33,333		20.56	04/01/2012	8,333	04/02/2007	91,413
						12,630	12/28/2007	138,551
						10,760	06/13/2008	118,037
Karl Slatoff(4)								
Gary Dale(5)								
Manuel								
Sousa(6)								

(1) Time-based stock option awards granted under the 2002 Stock Option Plan, which awards vest, subject to continuing employment, in three equal annual installments commencing on the first anniversary of the date of grant

(2) Time-based restricted stock awards made under the Incentive Stock Plan, which awards vest, subject to continuing employment, in three equal annual installments commencing on the first anniversary of the date of grant. The market-based awards are subject to the satisfaction of certain performance criteria.



- (3) These amounts are valued based on the aggregate grant date fair market value of the award. For additional information, see Note 14 under the heading "Stock-Based Compensation" of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The amounts reflect the accounting expense for these awards and do not correspond to actual value that may be recognized by such persons with respect to these awards.
- (4) Messrs. Zelnick, Feder and Slatoff have not received grants of stock or option awards. Messrs. Zelnick, Feder and Slatoff are partners of ZelnickMedia, to which the Company granted options to purchase 2,009,075 shares of Common Stock at an exercise price of \$14.74 per share in August 2007 and 1,500,000 shares of restricted stock in June 2008. There are an aggregate of 1,451,008 shares underlying unexercised but exercisable options and 558,067 shares underlying unexercised and unexercisable options outstanding. The options expire on August 27, 2017. 200,000 shares of restricted stock vested in June 2009 and 1,300,000 shares of restricted stock remain unvested. The value of the unvested shares based on the closing price of the Common Stock on October 31, 2009 was \$14,261,000.
- (5) Mr. Dale has no outstanding stock or option awards. On January 15, 2009, Mr. Dale provided us with notice of his resignation of employment and ceased performing his day-to-day duties for the Company. In accordance with the terms of his employment agreement, Mr. Dale's employment agreement and his employment with the Company terminated on April 15, 2009, and he forfeited his rights to all outstanding equity awards.
- (6) Mr. Sousa has no outstanding stock or option awards. Mr. Sousa's employment agreement and his employment with the Company were terminated "without cause" effective on October 6, 2009. Pursuant to his employment agreement, all of Mr. Sousa's previously granted shares of restricted stock of the Company vested on October 6, 2009.

**Restricted Stock Vested During 2009 Fiscal Year**

The following table sets forth information concerning the vesting of shares of restricted stock held by each of the Named Executive Officers during the fiscal year ended October 31, 2009. The value realized from vested restricted stock is deemed to be the market value of the Common Stock on the date of vesting multiplied by the number of shares. None of the Named Executive Officers exercised any stock options during the fiscal year ended October 31, 2009.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Strauss Zelnick		
Ben Feder		
Lainie Goldstein	31,349	246,084
Seth Krauss	16,802	136,314
Karl Slatoff		
Gary Dale	8,333	58,498
Manuel Sousa	20,670	230,471

**Potential Payments Upon Termination or Change in Control**

The table below sets forth amounts to be paid or benefits received by those Named Executive Officers entitled to receive any amounts or benefits upon termination of their employment or a change in control, assuming the applicable triggering event occurred on October 31, 2009. The following table does not discuss the payments payable to Mr. Dale or Mr. Sousa in connection with the payment events set forth therein, because the employment of each of such executives was terminated prior to the end of fiscal year 2009. Mr. Dale received no severance or other benefits upon his resignation, and Mr. Sousa received severance upon his termination by the Company without cause equal to 12 months

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of base salary plus accelerated vesting in his equity awards. Messrs. Zelnick, Feder and Slatoff are not entitled to any severance benefits from the Company upon a termination of employment or change in control. For more information about these potential payments, please see "Compensation Discussion and Analysis Change in Control Benefits" and "Executive Compensation Employment Agreements" elsewhere in this Proxy Statement.

	Termination Without Cause (\$)(1)	Death or Disability (\$)	Change in Control Termination without Cause or for Good Reason (\$)	Change in Control Without Termination (\$)
<b>Lainie Goldstein</b>				
Cash Payment	500,000		1,125,000	
Continuation of Medical Insurance (present value)	6,060		9,091	
Acceleration of Equity Awards	612,378(2)	612,378(2)	612,378(2)	612,378(2)
Stay Bonus			250,000	250,000
Termination Bonus	250,000		250,000	
Tax Gross-Up Payment			768,727(4)	
<b>Total Termination Benefits</b>	<b>1,368,438</b>	<b>612,378</b>	<b>3,015,196</b>	<b>862,378</b>

	Termination Without Cause (\$)(1)	Death or Disability (\$)	Change in Control Termination without Cause or for Good Reason (\$)	Change in Control Without Termination (\$)
<b>Seth Krauss</b>				
Cash Payment	1,125,000		1,125,000	
Continuation of Medical Insurance (present value)			17,875	
Acceleration of Equity Awards	348,001(2)	348,001(2)	348,001(2)	348,001(2)
Pro-Rated Bonus (Payment Reduction)	250,000	250,000	250,000	
			(120,386)(3)	
<b>Total Termination Benefits</b>	<b>1,723,001</b>	<b>598,001</b>	<b>1,620,490</b>	<b>348,001</b>

- (1) A termination without cause includes a resignation following certain events so as to be deemed a constructive termination by the Company without cause.
- (2) The value of options is calculated by multiplying the number of shares underlying each accelerated unvested option by the difference between the per share closing price of the Common Stock on October 31, 2009, and the per share exercise price. The value of restricted stock is calculated by multiplying the number of shares of restricted stock that accelerate by the per share closing price of the Common Stock on October 31, 2009.
- (3) The total amount payable to Mr. Krauss in connection with a change in control would be an amount exceeding 100%, but less than 115%, of the maximum amount that could be paid to him without application of any excise tax imposed by Section 4999 of the Internal Revenue Code. Accordingly, pursuant to his employment agreement this amount represents a reduction in the amount payable to Mr. Krauss to avoid any excise tax on "parachute payments" under Section 280G of the Internal Revenue Code. The calculation of the payment reduction amount does not include a valuation of the non-competition covenant in Mr. Krauss's employment





agreement. A portion of the amounts and benefits that may be paid or provided to Mr. Krauss in connection with a change in control termination may be attributable to reasonable compensation for the non-competition covenant and could eliminate or reduce the reduction amount.

(4)

The calculation of the gross-up payment amount does not include a valuation of the non-competition covenant in Ms. Goldstein's employment agreement. A portion of the amounts and benefits that may be paid or provided to Ms. Goldstein in connection with a change in control termination may be attributable to reasonable compensation for the non-competition covenant and could eliminate or reduce the gross-up payment amount.

#### **Compensation of Directors During 2009 Fiscal Year**

The Compensation Committee has the responsibility for establishing appropriate compensation and reimbursement policies for non-employee members of the Board of Directors. Such compensation may include, but is not limited to, the following elements: retainer, meeting fees, committee fees, committee chair fees, equity or stock compensation, benefits and perquisites. All directors, other than Messrs. Feder and Zelnick, are regarded as non-employee directors.

Pursuant to its charter, the Compensation Committee periodically reviews non-employee director compensation and benefits. As part of this review in 2009, the Compensation Committee engaged Executive Compensation Advisors to provide competitive market data and advice regarding outside director compensation. The Compensation Committee determined not to change the compensation payable to our non-employee directors in 2009.

The key elements of the compensation payable to our non-employee directors are as follows:

*Annual Retainer.* Each non-employee director is paid an annual retainer of \$225,000 in quarterly installments, following the end of each quarter of service. Of this amount, \$60,000 of the annual retainer is paid in cash and \$165,000 is paid in shares of restricted stock. In addition, the Lead Independent Director receives an additional annual retainer of \$200,000, of which \$100,000 is paid in cash in quarterly installments and \$100,000 is paid in shares of restricted stock. The Lead Independent Director does not receive any additional compensation for serving as chairperson of the Executive Committee. Instead of receiving a cash payment, non-employee directors may make an irrevocable election to receive 100% of their annual retainer and committee fees, if applicable, in shares of restricted stock.

*Fees for Committee Members.* As additional compensation for service as chairperson, the chairperson of the Audit Committee receives an annual cash retainer of \$35,000, the chairperson of the Compensation Committee receives an annual cash retainer of \$25,000 and the chairperson of the Corporate Governance Committee receives an annual cash retainer of \$20,000. In addition, members of the Audit Committee, other than the chairperson, receive an additional annual cash retainer of \$10,000.

*Restricted Stock.* The shares of restricted stock granted to non-employee directors vest in three equal annual installments commencing on the first anniversary of the grant date. Grants of restricted stock are made on the fifth trading day following the filing of the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as applicable. The number of shares of restricted stock granted is determined by dividing the dollar value of the restricted stock to be delivered by the average of the closing prices of our Common Stock on the ten trading days prior to the date of grant.

*Reimbursement of Certain Expenses.* Non-employee directors are reimbursed for travel expenses to attend board and committee meetings and to attend director education seminars, in accordance with policies approved from time to time.

**Director Compensation Table**

The following table sets forth information concerning the compensation of the Company's non-employee directors during the fiscal year ended October 31, 2009.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)(1)</b>	<b>Option Awards (\$)(1)</b>	<b>Total (\$)</b>
Robert A. Bowman	70,000	116,532	73,045	259,577
Grover C. Brown	60,000	131,342	24,405	215,747
Michael Dornemann	160,000	123,966	72,750	356,716
John F. Levy	95,000	129,085	22,056	246,141
J Moses(2)	22,500	145,484	72,750	240,734
Michael Sheresky	85,000	117,139	72,750	274,889

- (1) Reflects the dollar amounts recognized with respect to the directors' stock awards and option awards for financial statement reporting purposes during fiscal year 2009. For additional information, see Note 14 under the heading "Stock-Based Compensation" of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The amounts reflect the accounting expense for these awards and do not correspond to actual value that may be recognized by the directors with respect to these awards.
- (2) Mr. Moses elected to receive his committee fees in shares of restricted stock for second, third and fourth fiscal quarters of 2009.

**Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended October 31, 2009, Messrs. Dornemann, Moses and Sheresky served as members of the Compensation Committee. During the fiscal year ended October 31, 2009:

none of the members of the Compensation Committee was an officer (or former officer) or employee of the Company or any of its subsidiaries;

none of the members of the Compensation Committee had a direct or indirect material interest in any transaction in which the Company was a participant and the amount involved exceeded \$120,000;

none of the Company's executive officers served on the compensation committee (or another board committee with similar functions or, if none, the entire board of directors) of another entity where one of that entity's executive officers served on the Company's Compensation Committee;

none of the Company's executive officers was a director of another entity where one of that entity's executive officers served on the Company's Compensation Committee; and

none of the Company's executive officers served on the compensation committee (or another board committee with similar functions or, if none, the entire board of directors) of another entity where one of that entity's executive officers served as a director on the Board of Directors.

**VOTING SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information as of the Record Date (unless otherwise noted), relating to the beneficial ownership of shares of the Common Stock by (i) each person or entity who is known by the Company to own beneficially five percent or more of the outstanding Common Stock, (ii) each current director, (iii) each director nominee, (iv) each of the Named Executive Officers and (v) all current directors and executive officers as a group.

Name and Address of Beneficial Owner(1)	Number of Shares of Common Stock Beneficially Owned(2)	Percentage of Outstanding Common Stock Beneficially Owned
OppenheimerFunds, Inc.(3)	12,277,167	14.52%
Carl C. Icahn and related entities(4)	10,213,552	12.08%
FMR LLC(5)	9,722,810	11.50%
BlackRock, Inc.(6)	9,289,163	10.99%
Harbinger Holders, LLC(7)	5,800,000	6.86%
Strauss Zelnick(8)	3,149,832	3.72%
Ben Feder(9)	3,092,428	3.66%
Karl Slatoff(10)	3,078,836	3.64%
Seth Krauss(11)	219,270	*
Lainie Goldstein(12)	190,728	*
J Moses(13)	73,356	*
Michael Dornemann(14)	71,781	*
Grover C. Brown(15)	66,800	*
John F. Levy(16)	66,700	*
Robert A. Bowman(17)	60,700	*
Michael Sheresky(18)	59,033	*
SungHwan Cho	0	*
Gary Dale	0	*
Brett Icahn	0	*
James L. Nelson	0	*
Manuel Sousa	0	*
All current directors and executive officers as a group (11 persons)(19)	3,878,200	4.59%

\*

Less than 1%.

(1)

Unless otherwise indicated, the address of each beneficial owner is Take-Two Interactive Software, Inc., 622 Broadway, New York, New York 10012. The address of OppenheimerFunds, Inc. is Two World Financial Center, 225 Liberty Street, New York, New York 10281. The address of Carl C. Icahn is c/o Icahn Associates Corp., 767 Fifth Avenue, 47th Floor, New York, New York 10153 (the addresses of Mr. Icahn's related entities are set forth in footnote (4) below). The address of FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109. The address of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022. The address of Harbinger Holdings, LLC and its related entities is 450 Park Avenue, 30<sup>th</sup> Floor, New York, New York 10022 (other than Harbinger Capital Partners Master Fund I, Ltd. whose address is c/o International Fund Services (Ireland) Limited, Third Floor, Bishop's Square, Redmond's Hill, Dublin 2, Ireland). The addresses of each of Messrs. Cho, Icahn and Nelson is c/o Icahn Associates Corp., 767 Fifth Avenue, 47th Floor, New York, New York 10153.

(2)

Unless otherwise indicated, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares beneficially owned by them. A person is

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deemed to be the beneficial owner of securities that may be acquired by such person within 60 days after the Record Date upon the exercise of options and is not deemed to be the beneficial owner of securities that may not be acquired within 60 days after the Record Date upon the exercise of options (referred to in the footnotes below as "*unvested options*"). Each beneficial owner's percentage ownership is determined by assuming that options that are held by such person (but not those held by any other person) and which are exercisable within 60 days after the Record Date have been exercised.

- (3) Based on information contained in a report on Schedule 13G filed with the SEC on February 3, 2010. OppenheimerFunds, Inc. reported shared voting and dispositive authority with Oppenheimer Quest Opportunity Value Fund with respect to these shares.
- (4) Based on information contained in a report on Schedule 13D/A filed with the SEC on January 28, 2010, amending a Schedule 13D originally filed on December 17, 2009 and amended on January 21, 2010, filed jointly by Carl C. Icahn and the following related entities: (a) High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Offshore LP, Icahn Partners LP, Icahn Onshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P. and Beckton Corp., each of whose address is White Plains Plaza, 445 Hamilton Avenue-Suite 1210, White Plains, New York 10601, and (b) Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, and Icahn Partners Master Fund III LP, each of whose address is c/o Walkers SPV Limited, P.O. Box 908GT, 87 Mary Street, George Town, Grand Cayman, Cayman Islands.
- (5) Based on information contained in a report on Schedule 13G/A filed with the SEC on February 10, 2010.
- (6) Based on information contained in a report on Schedule 13G filed with the SEC on January 8, 2010.
- (7) Based on information contained in a report on Schedule 13G filed with the SEC on December 18, 2009 by Harbinger Holdings, LLC, along with the related entities Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners LLC and Philip Falcone. Harbinger Holdings, LLC reported shared voting and dispositive authority with the related entities with respect to these shares.
- (8) Mr. Zelnick is a partner at ZelnickMedia. The shares listed include 80,000 shares of Common Stock held by Zelnick/Belzberg Living Trust (such shares are indirectly held by Mr. Zelnick) and 1,451,400 shares of Common Stock and 1,618,432 shares underlying options held by ZelnickMedia (such shares and options are not held individually by Mr. Zelnick). Does not include 390,643 shares issuable upon the exercise of unvested options held by ZelnickMedia.
- (9) Mr. Feder is a partner at ZelnickMedia. The shares listed include 22,596 shares of Common Stock directly held by Mr. Feder and 1,451,400 shares of Common Stock and 1,618,432 shares underlying options held by ZelnickMedia (such shares and options are not held individually by Mr. Feder). Does not include 390,643 shares issuable upon the exercise of unvested options held by ZelnickMedia.
- (10) Mr. Slatoff is a partner at ZelnickMedia. The shares listed include 9,004 shares of Common Stock directly held by Mr. Slatoff and 1,451,400 shares of Common Stock and 1,618,432 shares underlying options held by ZelnickMedia (such shares and options are not held individually by Mr. Slatoff). Does not include 390,643 shares issuable upon the exercise of unvested options held by ZelnickMedia.
- (11) Represents 119,270 shares of Common Stock and 100,000 shares underlying options.
- (12) Represents 158,728 shares of Common Stock and 32,000 shares underlying options.

- (13) Represents 48,356 shares of Common Stock and 25,000 shares underlying options.
- (14) Represents 46,781 shares of Common Stock and 25,000 shares underlying options.
- (15) Represents 41,800 shares of Common Stock and 25,000 shares underlying options.
- (16) Represents 41,700 shares of Common Stock and 25,000 shares underlying options.
- (17) Represents 35,700 shares of Common Stock and 25,000 shares underlying options.
- (18) Represents 34,033 shares of Common Stock and 25,000 shares underlying options.
- (19) Includes, or excludes, as applicable, shares of Common Stock beneficially owned by the current directors and officers as described in the preceding footnotes (the 1,451,400 shares of Common Stock and 1,618,432 shares underlying options held by ZelnickMedia, and beneficially owned by Messrs. Zelnick, Feder and Slatoff, are only included once).

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

##### *Management Agreement.*

The Company is party to a Management Agreement dated March 30, 2007, as amended, with ZelnickMedia. 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. The Management Agreement initially had a term ending October 31, 2011, unless earlier terminated by either ZelnickMedia or the Company in accordance with the terms thereof, with automatic renewal for successive one-year periods unless either party terminates upon 90 days' prior written notification to the other party. During the term, the Management Agreement initially provided that ZelnickMedia would receive a monthly management fee of \$62,500, an annual cash bonus of up to \$750,000 upon the achievement by the Company of certain performance thresholds and the grant of options and/or shares of restricted stock based on a predetermined formula. The Company did not achieve such performance thresholds for the fiscal year ended October 31, 2007, and no annual cash bonus was paid in respect of such year. The Management Agreement provided that, based on the then current market price of the Common Stock, the Company grant stock options and/or issue shares of restricted Common Stock to ZelnickMedia. Since the market price of the Common Stock was below the level specified in the Management Agreement, ZelnickMedia did not receive any shares of restricted Common Stock and, on August 27, 2007, we issued ZelnickMedia stock options to acquire 2,009,075 shares of Common Stock at an exercise price of \$14.74 per share pursuant to the terms of the Management Agreement. These options vest in equal monthly installments over 36 months and expire 10 years from the date of grant. If the Management Agreement is terminated prior to October 31, 2012 (the termination date as provided in the Second Amendment discussed below) upon a change in control, ZelnickMedia will be paid on the date of termination all earned but unpaid management fees and accrued but unpaid annual bonus, all management fees that would have been paid through October 31, 2012, and the amount of the annual bonus that would have been paid for the current year based on the year-to-date performance of the Company, and all unvested stock options vest. In addition, if the Management Agreement is terminated in connection with a Change in Control, ZelnickMedia will be paid on the date of termination all annual bonus payments that would have been payable through October 31, 2012, assuming 50% of the maximum annual bonus would be payable in each future fiscal year. ZelnickMedia also is entitled to the reimbursement of expenses in connection with the Management Agreement and any and all transactions relating thereto. Strauss Zelnick, the President of ZelnickMedia, was initially entitled during the term of the Management Agreement to serve as non-Executive Chairman of the Company (and now serves as Executive Chairman in accordance with the Second Amendment, as described below). Mr. Zelnick also has the authority during such term to

hire and/or terminate the Chief Executive Officer and the Chief Financial Officer of the Company, subject to the approval of the Compensation Committee.

The Management Agreement initially contemplated that Mr. Feder would act as the Chief Executive Officer of the Company on an interim basis while ZelnickMedia assisted the Company in identifying and recruiting a qualified individual to act as Chief Executive Officer of the Company on a permanent basis. During the course of the fiscal year ended October 31, 2007, Mr. Feder continued to devote substantially all of his business time to acting as the Chief Executive Officer of the Company and ZelnickMedia provided the services of other executives, including Messrs. Zelnick and Slatoff. These services were substantially in excess of the level of services which the parties initially contemplated would be provided by ZelnickMedia and were greatly valued by the Company. Accordingly, ZelnickMedia and the Company agreed to amend the Management Agreement to reflect the services actually being provided by ZelnickMedia and to revise the compensation payable to ZelnickMedia appropriately.

As a result of the foregoing, the Company entered into a second amendment to the Management Agreement on February 14, 2008 (the "*Second Amendment*"), pursuant to which, effective on April 1, 2008 the monthly management fee was increased to \$208,333 (\$2,500,000 per year) and the maximum annual bonus was increased to \$2,500,000. The annual bonus for the fiscal year ended October 31, 2008 was \$1,770,833, which was based on a maximum bonus of \$312,500 pro rated based on five months at a maximum annualized rate of \$750,000 and a maximum bonus of \$1,458,333 pro rated based on seven months at a maximum annualized rate of \$2,500,000. The Second Amendment sets forth in more detail the services and personnel to be provided by ZelnickMedia. More specifically, the Second Amendment provides that Mr. Zelnick will be Executive Chairman of the Company and that Messrs. Feder and Slatoff shall enter into employment agreements with the Company to serve as Chief Executive Officer and Executive Vice President of the Company, respectively. For a description of the employment agreements with Messrs. Feder and Slatoff, see "Compensation Discussion and Analysis Executive Chairman, CEO, and Executive Vice President Compensation". The Second Amendment also provides that other ZelnickMedia personnel will provide services to the Company on an as-needed basis. The Second Amendment extended the term of the Management Agreement until October 31, 2012.

The Second Amendment also provided for certain other amendments to the Management Agreement (the "*Conditional Amendments*") that were effective only upon the approval of an amendment to the Company's Incentive Stock Plan by the stockholders of the Company at the 2008 Annual Meeting of Stockholders (the "*Stockholder Approval*"). If the stockholders of the Company did not approve the amendment to the Company's Incentive Stock Plan at the 2008 Annual Meeting, then the Conditional Amendments would have been null and void. The Conditional Amendments provided for the grant of 1,500,000 shares of restricted Common Stock to ZelnickMedia, as described below, and required the Company to file with the SEC a Registration Statement on Form S-3 registering for resale all of the shares of Common Stock granted to ZelnickMedia under the Management Agreement, including the additional equity grants made pursuant to the Second Amendment. The Conditional Amendments also provide that the Management Agreement will not be further revised during its term.

As noted above, the Second Amendment provided that if the Stockholder Approval was obtained, the Company would grant 1,500,000 shares of restricted Common Stock to ZelnickMedia. These shares were granted pursuant to two separate grants, an award of 600,000 shares of restricted stock subject to time-based vesting conditions (the "*Time-Based Award*") and an award of 900,000 shares of restricted stock subject to market-based vesting conditions (the "*Market-Based Award*"), on June 13, 2008, the fifth trading day following the filing of the Company's Quarterly Report on Form 10-Q for its second

fiscal quarter (ended April 30, 2008). The terms of the Time-Based Award and Market-Based Award are as follows:

The Time-Based Award is a restricted stock award of 600,000 shares of Common Stock that will vest in equal installments on each of the first, second and third anniversaries of the grant date, subject to the Management Agreement not being terminated prior to the applicable vesting date. However, the Time-Based Award will immediately vest in full if the Management Agreement is terminated by ZelnickMedia for Good Reason (as defined in the Management Agreement) or by the Company without Cause (as defined in the Management Agreement). Further, in the event of a Change in Control all unvested shares of restricted stock under the Time-Based Award will vest in full immediately prior to the consummation of such Change in Control. ZelnickMedia will forfeit to the Company any and all restricted stock that has not previously vested under the Time-Based Award if the Management Agreement is terminated by the Company for Cause or by ZelnickMedia without Good Reason. Generally, ZelnickMedia may not sell or otherwise dispose of any Common Stock that it acquires pursuant to the Time-Based Award until the earlier of October 31, 2012 or the termination of the Management Agreement.

The Market-Based Award is a restricted stock award of 900,000 shares of Common Stock that may vest on or after each of the Vesting Dates listed in the table below in the amounts set forth opposite the applicable Vesting Date, and subject to, with respect to each tranche, (i) the achievement of a price per share of Common Stock which would place the stockholder return on our Common Stock in the 75<sup>th</sup> percentile of the stockholder returns of all of the companies in the NASDAQ Industrial Index, and (ii) the Management Agreement not being terminated prior to the achievement of the applicable performance goal for such Vesting Date.

<b>Vesting Date</b>	<b>Shares Eligible to Vest</b>
First anniversary of grant date	180,000
Second anniversary of grant date	270,000
Third anniversary of grant date	405,000
Fourth anniversary of grant date	45,000

As of the first Vesting Date, the stockholder return on our Common Stock was in the 16<sup>th</sup> percentile of the stockholder returns of all of the companies. Because the Company did not achieve its performance target as of the first Vesting Date, all such shares eligible to vest as of the first Vesting Date currently remain unvested. If the Company achieves the performance target as of any Vesting Date, all of the shares of restricted stock that did not vest on any prior Vesting Date shall nevertheless vest on such Vesting Date for which the Company achieves the performance target. However, the Market-Based Award will immediately vest in full if the Management Agreement is terminated by ZelnickMedia for Good Reason or by the Company without Cause. In the event of a Change in Control, all unvested shares of restricted stock under the Market-Based Award will vest in full immediately prior to the consummation of such Change in Control.

ZelnickMedia will forfeit to the Company any and all restricted stock not previously vested under the Market-Based Award if the Management Agreement is terminated by the Company for Cause or by ZelnickMedia without Good Reason. Generally, ZelnickMedia may not sell or otherwise dispose of any Common Stock that it acquires pursuant to the Market-Based Award until the earlier of October 31, 2012 or the termination of the Management Agreement.

For additional information on the Second Amendment and the Time-Based Award and the Market-Based Award, including the full text thereof, see the Current Report on Form 8-K filed by the Company with the SEC on February 15, 2008.



*Icahn Agreement.*

On January 20, 2010, the Company and Carl C. Icahn, High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Offshore LP, Icahn Partners LP, Icahn Onshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., and Beckton Corp. (collectively, the "*Icahn Group*") entered into an agreement (the "*Icahn Agreement*") pursuant to which the Company agreed that it will include SungHwan Cho, Brett Icahn, and James Nelson, and not include Grover C. Brown, Ben Feder, and John F. Levy, in its slate of nominees for election as directors of the Company at the Annual Meeting. In connection with, and subject to the terms of, the Icahn Agreement, the Icahn Group will refrain from the solicitation of proxies in connection with the Annual Meeting and will cause all shares of the Company common stock beneficially owned by each member to be voted at the Annual Meeting in favor of the directors nominated by the Company's Board of Directors.

In addition, pursuant to the Icahn Agreement,

The Icahn Group shall have the right to submit the name of a replacement to the Company for its approval in the event that any of SungHwan Cho, Brett Icahn, and James Nelson is unable to serve as a nominee for election as director or to serve as a director for any reason.

If anytime after January 20, 2010 the Icahn Group ceases collectively to beneficially own, net of Short Interests (as defined in the Icahn Agreement) at least 4,159,359 shares of common stock, par value \$0.01 per share, of the Company, the Icahn Group shall cause each of SungHwan Cho, Brett Icahn, and James Nelson or their respective replacements to promptly tender his resignation from the Board of Directors and any committee of the Board of Directors on which he then sits.

The Icahn Group shall not present any proposal for consideration at the Annual Meeting or deposit any of the common stock held by the Icahn Group or its affiliates in a voting trust or subject them to a voting agreement or other arrangement of similar effect with respect to the Annual Meeting.

For additional information on the Icahn Agreement, including the full text thereof, see the Current Report on Form 8-K filed by the Company with the SEC on January 20, 2010.

**SECTION 16(a) BENEFICIAL OWNERSHIP COMPLIANCE**

The members of our Board of Directors, our executive officers and persons who beneficially own more than 10% of our outstanding Common Stock are subject to the reporting requirements of Section 16(a) of the Exchange Act, as amended, which requires them to file reports with respect to their ownership of our Common Stock and their transactions in such Common Stock. Based solely upon a review of the copies of Section 16(a) reports that we have received from such persons or entities for transactions in our Common Stock and their Common Stock holdings for fiscal 2009, we believe that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by our directors and executive officers.

**NO INCORPORATION BY REFERENCE**

In its filings with the SEC, the Company sometimes "incorporates by reference" certain information. This means that we are referring you to information that has previously been filed with the SEC and the information should be considered as part of the particular filing. As provided under SEC regulations, the "Report of the Audit Committee" and the "Report of the Compensation Committee" contained in this proxy statement specifically are not incorporated by reference into any other filings with the SEC and shall not be deemed to be "soliciting material."

**STOCKHOLDER PROPOSALS FOR NEXT ANNUAL MEETING**

The Company currently anticipates holding its Annual Meeting of Stockholders for its fiscal year ending October 31, 2010 in April 2011. Accordingly, stockholders who wish to present proposals, nominate directors or present other business appropriate for consideration at the Company's Annual Meeting of Stockholders to be held in 2011 must submit the proposal in proper form and in satisfaction of the conditions established by the SEC, to the Company at its address set forth on the first page of this proxy statement not later than November 2, 2010 in order for the proposal to be considered for inclusion in the Company's proxy statement and form of proxy relating to such annual meeting.

As provided in the Company's bylaws, for any proposal, director nomination or other business that is not submitted for inclusion in next year's proxy statement, but is instead sought to be presented directly at the 2011 Annual Meeting of Stockholders, notice of intention to present the proposal, nominate directors or present other appropriate business must be received in writing by the Company by no earlier than December 16, 2010 and no later than January 15, 2011. Address all notices of intention to present proposals at the 2011 Annual Meeting of Stockholders to Take-Two Interactive Software, Inc., 622 Broadway, New York, New York 10012, Attn: Investor Relations.

**OTHER MATTERS**

The Board of Directors is aware of no other matter, except for those incident to the conduct of the Annual Meeting, that are to be presented to stockholders for formal action at the Annual Meeting. If, however, any other matter properly comes before the Annual Meeting or any adjournment thereof, it is the intention of the persons named in the proxy to vote the proxy in accordance with their judgment.

By order of the Board of Directors,

Ben Feder  
*Chief Executive Officer*

February 26, 2010

**TAKE-TWO INTERACTIVE SOFTWARE, INC.**

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**AMENDMENT TO 2009 STOCK INCENTIVE PLAN**

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**AMENDMENT No. 1**  
**TAKE-TWO INTERACTIVE SOFTWARE, INC.**  
**2009 STOCK INCENTIVE PLAN**

This Amendment (the "*Amendment*") to the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan, as adopted on April 23, 2009, is made effective as of this 26th day of February 2010, subject to the approval of the Amendment by the stockholders of Take-Two Interactive Software, Inc. (the "*Company*"), in accordance with the provisions of Section 12.1 of the Plan.

WHEREAS, the Company maintains the Plan; and

WHEREAS, pursuant to Section 12.1 of the Plan, the Plan may be amended by either the Company's Board of Directors (the "*Board*") or the Compensation Committee of the Board (the "*Committee*"), subject, in the case of certain amendments, to approval by the Company's stockholders; and

WHEREAS, the Board believes it to be in the best interests of the Company to amend the Plan to increase the number of shares that may be issued to participants in the Plan in connection with awards granted thereunder.

NOW, THEREFORE, the Plan is hereby amended by striking the number "4,900,000" from the first sentence of Section 4.1 of the Plan and replacing it with "7,650,000".

Except as modified by this Amendment, all of the terms and conditions of the Plan shall remain valid and in full force and effect.

\* \* \*

*[Remainder of page intentionally left blank.]*















QuickLinks

February 26, 2010

TAKE-TWO INTERACTIVE SOFTWARE, INC. 622 Broadway New York, New York 10012

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 15, 2010

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on April 15, 2010

Our Proxy Statement and 2009 Annual Report to Stockholders are available at <http://www.proxyvote.com>

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AMENDMENT TO 2009 STOCK INCENTIVE PLAN

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