

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

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended September 30, 2008

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 1-15839

ACTIVISION BLIZZARD, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4803544
(I.R.S. Employer Identification No.)

3100 Ocean Park Boulevard, Santa Monica, CA
(Address of principal executive offices)

90405
(Zip Code)

(310) 255-2000
(Registrant's telephone number, including area code)

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 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 (Do not check if a smaller reporting company)
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

The number of shares of the registrant's Common Stock outstanding as of October 31, 2008 was 1,324,390,741.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

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EXPLANATORY NOTE

On July 9, 2008, a business combination by and among Activision, Inc., Sego Merger Corporation, a wholly-owned subsidiary of Activision, Inc., Vivendi S.A., ("Vivendi") VGAC LLC, a wholly-owned subsidiary of Vivendi S.A., and Vivendi Games, Inc., a wholly-owned subsidiary of VGAC LLC, was consummated. As a result of the consummation of the business combination, Activision, Inc. was renamed Activision Blizzard, Inc. For accounting purposes, the business combination is treated as a "reverse acquisition," with Vivendi Games, Inc. deemed to be the acquirer. The historical financial statements of Activision Blizzard, Inc. prior to July 9, 2008 are those of Vivendi Games, Inc. (see Note 1 of consolidated financial statement for more details).

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and include, but are not limited to, (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow projections or other financial items; (2) statements of our plans and objectives, including those relating to product releases; (3) statements of future economic performance; and (4) statements of assumptions underlying such statements. We generally use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "future," "intend," "may," "outlook," "plan," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "to be," "upcoming," "will," and other similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict. Our actual results could differ materially. The forward-looking statements contained herein speak only as of the date on which they were made, and we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report. Risks and uncertainties that may affect our future results include, but are not limited to the following: sales of Activision Blizzard's titles, shifts in consumer spending trends, the impact of the current macroeconomic environment, the seasonal and cyclical nature of the interactive game market, Activision Blizzard's ability to predict consumer preferences among competing hardware platforms, declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision Blizzard's products, adoption rate and availability of new hardware and related software, industry competition, rapid changes in technology and industry standards, protection of proprietary rights, litigation against Activision Blizzard, maintenance of relationships with key personnel, customers, vendors and third-party developers, domestic and international economic, financial and political conditions and policies, foreign exchange rates, integration of recent acquisitions and the identification of suitable future acquisition opportunities, Activision Blizzard's success in integrating the operations of Activision and Vivendi Games in a timely manner, or at all, and the combined company's ability to realize the anticipated benefits and synergies of the transaction to the extent, or in the timeframe, anticipated, as well as the other risk factors included in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. Except as otherwise noted (including in connection with the review and presentation of results of operations for the quarter ended September 30, 2008), all references to "we," "us," "our," "Activision Blizzard" or "the Company" in the following discussion and analysis mean Activision Blizzard, Inc. and its subsidiaries.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)

	September 30, 2008 (Unaudited)	December 31, 2007 (As Adjusted)
Assets		

Current assets:			
Cash and cash equivalents	\$	2,842	\$ 62
Short-term investments		94	3
Accounts receivable, net of allowances of \$96 million and \$94 million at September 30, 2008 and December 31, 2007, respectively		316	104
Inventories		377	21
Software development		226	25
Intellectual property licenses		10	9
Deferred income taxes		228	143
Intangible assets, net		51	—
Other current assets		57	23
Total current assets		4,201	390
Long-term investments		86	—
Software development		20	51
Intellectual property licenses		—	8
Property and equipment, net		168	129
Deferred income taxes		80	24
Other assets		21	6
Intangible assets, net		1,462	7
Trade name		433	53
Goodwill		7,270	203
Total assets	\$	13,741	\$ 871
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	\$	338	\$ 49
Deferred revenues		206	197
Accrued expenses and other liabilities		557	274
Total current liabilities		1,101	520
Deferred income tax, net		696	—
Other liabilities		169	111
Total liabilities		1,966	631
Shareholders' equity:			
Common stock, \$.000001 par value, 2,400,000,000 shares authorized, 1,323,628,497 shares issued and outstanding at September 30, 2008 and 590,618,180 shares issued and outstanding at December 31, 2007		—	—
Additional paid-in capital		12,165	490
Net payable to Vivendi and affiliated companies		—	77
Accumulated deficit		(403)	(367)
Accumulated other comprehensive income		13	40
Total shareholders' equity		11,775	240
Total liabilities and shareholders' equity	\$	13,741	\$ 871

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(As Adjusted)		(As Adjusted)	
Net revenues				
Product sales	\$ 413	\$ 98	\$ 553	\$ 246
Subscription, licensing, and other revenues	298	228	834	650
Total net revenues	711	326	1,387	896
Costs and expenses				
Cost of sales – product costs	279	31	350	95
Cost of sales – software royalties and amortization	50	5	88	14
Cost of sales – intellectual property licenses	36	1	45	5
Cost of sales – massively, multiplayer, online game	43	40	123	146
Product development	200	117	414	327
Sales and marketing	142	46	220	105

Restructuring costs	61	—	61	(1)
General and administrative	94	29	172	71
Total costs and expenses	905	269	1,473	762
Operating income (loss)	(194)	57	(86)	134
Investment income (loss), net	24	(2)	28	(5)
Income (loss) before income tax provision (benefit)	(170)	55	(58)	129
Income tax provision (benefit)	(62)	7	(22)	(12)
Net income (loss)	<u>\$ (108)</u>	<u>\$ 48</u>	<u>\$ (36)</u>	<u>\$ 141</u>
Net income (loss) per share				
Basic and diluted	<u>\$ (0.08)</u>	<u>\$ 0.08</u>	<u>\$ (0.04)</u>	<u>\$ 0.24</u>
Number of shares used in computation				
Basic and diluted	<u>1,271</u>	<u>591</u>	<u>816</u>	<u>591</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in millions)

	For the nine months ended September 30,	
	2008	2007 (As Adjusted)
Cash flows from operating activities:		
Net income (loss)	\$ (36)	\$ 141
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	(109)	(24)
Depreciation and amortization	144	45
Impairment charges	24	—
Loss on disposal of property and equipment	—	1
Amortization and write-offs of capitalized software development costs and intellectual property licenses (1)	120	15
Stock-based compensation expense (2)	47	77
Tax benefit associated with employee stock options	2	—
Excess tax benefits from stock option exercises	(17)	—
Changes in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	224	125
Inventories	(135)	(3)
Software development and intellectual property licenses	(119)	(71)
Other assets	(11)	(3)
Deferred revenues	10	88
Accounts payable	108	(10)
Accrued expenses and other liabilities	(127)	(73)
Net cash provided by operating activities	<u>125</u>	<u>308</u>
Cash flows from investing activities:		
Capital expenditures	(24)	(46)
Cash acquired through the business combination, net of cash payments to effect acquisitions	1,137	—
Increase in restricted cash	(35)	1
Net cash provided by (used in) investing activities	<u>1,078</u>	<u>(45)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock to employees	19	—
Repurchase of stock through tender offer	(2)	—
Return of capital to Vivendi	(79)	—
Issuance of additional common stock related to the business combination	1,731	—
Net cash transfers to Vivendi and affiliated companies	(79)	(294)
Excess tax benefits from stock option exercises	17	—
Net cash provided by (used in) financing activities	<u>1,607</u>	<u>(294)</u>
Effect of exchange rate changes on cash	<u>(30)</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	2,780	(28)

Cash and cash equivalents at beginning of period	62	68
Cash and cash equivalents at end of period	\$ 2,842	\$ 40

- (1) Excludes amortization of stock-based compensation expense.
(2) Includes the net effects of capitalization and amortization of stock-based compensation expense.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Nine Months ended September 30, 2008
(Unaudited)
(Amounts in millions)

	Common Stock		Additional Paid-In Capital	Net Payable to Vivendi	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2007 (As Adjusted)	591	\$ —	\$ 490	\$ 77	\$ (367)	\$ 40	\$ 240
Settlement of payable to Vivendi (see Note 18)	—	—	(2)	(77)	—	—	(79)
Components of comprehensive loss:							
Net loss	—	—	—	—	(36)	—	(36)
Unrealized depreciation on short-term investments, net of taxes	—	—	—	—	—	(2)	(2)
Foreign currency translation adjustment	—	—	—	—	—	(25)	(25)
Total comprehensive loss	—	—	—	—	—	—	(63)
Tender offer (see Note 1)	—	—	(2)	—	—	—	(2)
Issuance of additional common stock related to the business combination (see Note 1)	126	—	1,731	—	—	—	1,731
Issuance of common stock pursuant to employee stock options, restricted stock rights, employee stock purchase plans, and warrants	5	—	19	—	—	—	19
Stock-based compensation expense related to employee stock options, restricted stock rights, and employee stock purchase plans	—	—	42	—	—	—	42
Preliminary purchase consideration upon the business combination (see Note 4)	602	—	9,964	—	—	—	9,964
Tax benefit associated with employee stock options	—	—	2	—	—	—	2
Return of capital to Vivendi (see Note 18)	—	—	(79)	—	—	—	(79)
Balance at September 30, 2008	1,324	\$ —	\$ 12,165	\$ —	\$ (403)	\$ 13	\$ 11,775

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

1. Background and basis of presentation

Business Combination

We consummated our previously announced business combination (the "Business Combination") pursuant to the Business Combination Agreement (the "Business Combination Agreement"), dated as of December 1, 2007, by and among Activision, Inc., Sego Merger Corporation, a wholly-owned subsidiary of Activision, Inc., Vivendi S.A. ("Vivendi"), VGAC LLC, a wholly-owned subsidiary of Vivendi ("VGAC"), and Vivendi Games, Inc., a wholly-owned subsidiary of VGAC ("Vivendi Games"). Upon the closing of the Business Combination, which occurred on July 9, 2008, Activision, Inc. was renamed Activision Blizzard, Inc. ("Activision Blizzard"). Activision Blizzard continues to operate as a public company traded on the NASDAQ under the ticker symbol ATVI. Activision Blizzard now conducts the combined business operations of Activision, Inc. and Vivendi Games including its subsidiary, Blizzard Entertainment, Inc. ("Blizzard"). In connection with the Business Combination, we issued approximately 717 million shares of common stock to VGAC including 126 million shares of common stock purchased by Vivendi for approximately \$1.7 billion. Immediately following the consummation of the Business Combination, VGAC owned approximately 54% of Activision Blizzard's issued and outstanding common stock. While Activision, Inc. was the surviving entity in this Business Combination, because the transaction is treated as a "reverse acquisition", Vivendi Games is deemed to be the acquirer for accounting purposes. Accordingly, Activision Blizzard applied purchase accounting to the assets and liabilities of Activision, Inc. as of July 9, 2008. Also, for all Exchange Act filings following consummation of the Business Combination, the historical financial statements of Activision Blizzard for periods prior to the consummation of the Business Combination will be those of Vivendi Games. Activision, Inc.'s businesses were included in Activision Blizzard's financial statements for all periods subsequent to the consummation of the Business Combination only.

In accordance with the terms of the Business Combination Agreement, on July 16, 2008, Activision Blizzard commenced a tender offer to purchase up to 293 million shares of its common stock at a price of \$13.75 per share. The tender offer expired on August 13, 2008. We purchased 171,832 shares of our common stock as a result of the tender offer. These shares were accounted for using the treasury method and were retired and cancelled.

Upon consummation of the Business Combination, the senior unsecured credit agreement with Vivendi (as lender) became effective upon terms substantially similar to those previously disclosed in Note 21 of the consolidated financial statements included in Activision, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2008. Under that credit agreement, we have access to funds for general corporate purposes as previously disclosed (see Note 16 for details).

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements as of September 30, 2008 and for the three and nine month periods ended September 30, 2008 and 2007 include the accounts of Activision Blizzard, Inc. and its subsidiaries ("Activision Blizzard" or "we"). The information furnished is unaudited and the adjustments included consist of only normal recurring adjustments that, in the opinion of management, are necessary to provide a fair statement of the results for the interim periods presented.

The accompanying unaudited Consolidated Financial Statements should be read in conjunction with Vivendi Games, Inc. and its subsidiaries ("Vivendi Games") audited Consolidated Financial Statements for the year ended December 31, 2007 included in our Form 8-K as filed with the Securities and Exchange Commission ("SEC") on November 5, 2008. The selection of footnote disclosures appearing in this Quarterly Report on Form 10-Q are those deemed necessary in order to update and make current the financial disclosures presented in the Vivendi Games' audited financial statements for the year ended December 31, 2007.

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles, ("US GAAP"), but is not required for interim reporting purposes, has been condensed or omitted.

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2. **Accounting changes**

Comparative period – Following the consummation of the Business Combination, the historical financial statements of Activision Blizzard for periods prior to the consummation of the Business Combination are those of Vivendi Games. Activision, Inc.'s businesses were included in Activision Blizzard's financial statements for all periods subsequent to the consummation of the Business Combination only.

Change in Segment Presentation – In conjunction with the Business Combination, we changed the manner in which senior management assesses the operating performance of, and allocates resources to, its operating segments. As a result, we operate four business segments: (i) Blizzard Entertainment, Inc. and its subsidiaries – publishing of traditional games and online subscription-based games in the massively multiplayer online game ("MMOG") category ("Blizzard"), (ii) Activision Publishing - publishing interactive entertainment software and peripherals which includes certain studios, assets, and titles previously included in Vivendi Games' Sierra Entertainment prior to the Business Combination ("Activision"), (iii) Activision Blizzard Distribution - distribution of interactive entertainment software and hardware products ("Distribution") (these three business segments form Activision Blizzard's core operations) and (iv) Activision Blizzard's non-core exit operations. Activision Blizzard's non-core exit operations represent legacy Vivendi Games' divisions or business units that the Company has begun to exit or wind down as part of our restructuring and integration efforts as a result of the Business Combination, but do not meet the criteria for separate reporting of discontinued operations. In accordance with the provisions of Statement of Financial Standards, No. 131, "Disclosures about Segments of an Enterprise and Related Information," ("SFAS No. 131"), all prior period segment information has been restated, when practical, to conform to this new financial statement presentation (see Note 14 for details).

Change in Accounting Principles – In the current quarter, the Company changed the manner in which it recognizes revenue associated with sales of *The Burning Crusade* expansion pack, released in January 2007 for its massively, multi-player, online game, *World of Warcraft*. Prior to the Business Combination, Vivendi Games determined that the sale of an expansion pack was a separate deliverable with standalone value apart from the *World of Warcraft* license and the subscription to the online game. Pursuant to Emerging Issues Task Force No. 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF No. 00-21"), Vivendi Games recognized revenue from the sale of an expansion pack upon delivery because it had standalone value and there was objective and reliable evidence of fair value for the subscription service. As a result of the consummation of the Business Combination the Company changed its weighting of the factors considered in determining if sales of *The Burning Crusade* expansion pack have standalone value. After considering the intended functionality of the expansion pack and the necessity of the *World of Warcraft* license and subscription service to the functionality of the expansion pack, the Company determined that it is preferable to conclude that the expansion packs do not have standalone value and to account for fees from sales of expansion packs over the remaining estimated useful life of the customer. This method recognizes revenue over the period during which the customer is expected to utilize the intended full functionality of the expansion pack. The Company believes that it is preferable to recognize revenue from sales of expansion packs over the estimated remaining useful life of the customer, because this is consistent with the accounting for the *World of Warcraft* license and the evolution of accounting for on-line enabled video games in the console industry. In accordance with Statement of Financial Accounting Standards (SFAS) No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), this change has been applied retrospectively to our consolidated financial statements for all prior periods.

In addition to the above, the Company also identified certain ancillary fees charged to *World of Warcraft* subscribers that had been recognized immediately rather than deferred over the estimated remaining subscription life. Accordingly, the Company has also retrospectively adjusted subscription revenues for the year ended December 31, 2007, and such adjustments are immaterial to all periods presented.

As a result of the changes, cost of sales and amortization of capitalized software costs were also impacted, as cost of sales and software amortization are recognized in relation to the related revenues. We filed a Form 8-K with the SEC on November 5, 2008 which summarizes the effect of the changes to prior periods. The effects of these changes to the numbers in this Form 10-Q were as follows (amounts in millions):

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Three months ended September 30, 2007			
As Reported	As Adjusted	Effect of Change	As Adjusted (Reclassified)

Consolidated Statement of Operations:								
Product sales	\$	73	\$	106	\$	33	\$	98
Subscription, licensing and other revenues		221		220		(1)		228
Cost of sales – product costs		70		72		2		31
Cost of sales – software royalties and amortization		1		3		2		5
Operating income		<u>29</u>		<u>57</u>		<u>28</u>		<u>57</u>
Income (loss) before income tax provision (benefit)		27		55		28		55
Income tax provision (benefit)		(4)		7		11		7
Net income	\$	<u>31</u>	\$	<u>48</u>	\$	<u>17</u>	\$	<u>48</u>
Net income per share								
- Basic and diluted	\$	0.05	\$	0.08	\$	0.03	\$	0.08

	September 30, 2007							
	As Reported	As Adjusted	Effect of Change	As Adjusted (Reclassified)				
Consolidated Statement of Operations:								
Product sales	\$	339	\$	284	\$	(55)	\$	246
Subscription, licensing and other revenues		624		613		(11)		650
Cost of sales – product costs		239		234		(5)		95
Cost of sales – software royalties and amortization		8		7		(1)		14
Operating income (loss)		<u>193</u>		<u>133</u>		<u>(60)</u>		<u>134</u>
Income (loss) before income tax provision (benefit)		189		129		(60)		129
Income tax provision (benefit)		12		(12)		(24)		(12)
Net income (loss)	\$	<u>177</u>	\$	<u>141</u>	\$	<u>(36)</u>	\$	<u>141</u>
Net income per share								
- Basic and diluted	\$	0.30	\$	0.24	\$	(0.06)	\$	0.24

	December 31, 2007							
	As Reported	As Adjusted	Effect of Change	As Adjusted (Reclassified)				
Consolidated Balance Sheets:								
Software development	\$	1	\$	1	\$	—	\$	25
Deferred income taxes		127		143		16		143
Deferred revenues		137		190		53		197
Accrued expenses and other liabilities		374		362		(12)		274
Accumulated deficit		(343)		(367)		(24)		(367)

	September 30, 2007							
	As Reported	As Adjusted	Effect of Change	As Adjusted (Reclassified)				
Consolidated Statement of Cash Flows:								
Net income (loss)	\$	177	\$	141	\$	(36)	\$	141
Adjustments to reconcile net income to net cash provided by operating activities:								
Deferred income taxes		—		(24)		(24)		(24)
Amortization and write-offs of capitalized software development costs and intellectual property licenses		8		7		(1)		15
Changes in operating assets and liabilities:								
Deferred revenues		8		83		75		88
Accrued expenses and other liabilities		44		30		(14)		(73)

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As adjusted (reclassified) reflects certain reclassification adjustments made to prior periods to be consistent with the current period presentation. There is no change on retained earnings as of January 1, 2007 as a result of the change in accounting principle.

Stock Split - In July 2008, the Board of Directors approved a two-for-one split of our outstanding common shares effected in the form of a stock dividend (“the split”). The split was paid September 5, 2008 to shareholders of record as of August 25, 2008. The par value of our common stock was maintained at the pre-split amount of \$.000001 per share. The Consolidated Financial Statements and Notes thereto, including all share and per share data, have been restated as if the split had occurred as of the earliest period presented.

Reclassifications - Certain reclassifications have been made to prior year financial statements to conform to the current period presentation.

3. **Summary of significant accounting policies**

Significant Accounting Assumptions and Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of gain or loss contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Activision Blizzard, Inc., a Delaware corporation, and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash, money markets, and short-term investments with original maturities of not more than 90 days.

Short-term investments generally mature between three and thirty months. Investments with maturities beyond one year may be classified as short-term based on their liquid nature and because such securities represent the investment of cash that is available for current operations. All other investments that are not classified as short-term are classified as long-term investments. All of our investments are classified as available-for-sale and are carried at fair market value with unrealized appreciation (depreciation) reported, net of taxes, as a component of accumulated other comprehensive income (loss) in shareholders' equity. The specific identification method is used to determine the cost of securities disposed with realized gains and losses reflected in investment income, net.

Restricted Cash – Compensating Balances

We have restricted cash of \$87 million as of September 30, 2008 and \$3 million as of December 31, 2007. Most of the restricted cash as of September 30, 2008 relates to the standby letter of credit required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. Under the terms of this arrangement, we are required to maintain with the issuing bank a compensating balance, restricted as to use, of not less than the sum of the available amount of the letter of credit plus the aggregate amount of any drawings under the letter of credit that have been honored thereunder but not reimbursed. Restricted cash is included in short-term investments.

Financial Instruments

The estimated fair values of financial instruments have been determined using available market information and valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

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The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are a reasonable approximation of fair value due to their short-term nature. Short-term investments are carried at fair value with fair values estimated based on quoted market prices. Long-term investments are comprised of student loan backed taxable auction rate securities (see note 13 for details).

We account for derivative instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", an amendment of SFAS No. 133 and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 133, 138, and 149 require that all derivatives, including foreign exchange contracts, be recognized in the balance sheet in other assets or liabilities at their fair value.

We utilize forward contracts in order to reduce financial market risks. These instruments are used to hedge foreign currency exposures of underlying assets, liabilities, or cash flows. Our accounting policies for these instruments are based on whether they meet the criteria for designation as hedging transactions. Changes in fair value of derivatives that are designated as cash flow hedges, are highly effective, and qualify as hedging instruments, are recorded in other comprehensive income, if any, until the underlying hedged item is recognized in earnings. Any ineffective portion of a derivative's change in fair value is immediately recognized in earnings. Changes in fair value of derivatives that do not qualify as hedging instruments are recorded in earnings. The fair value of foreign currency contracts is estimated based on the prevailing exchange rate of the various hedged currencies as of the end of the period.

Software Development Costs and Intellectual Property Licenses

Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed products.

We account for software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed", ("SFAS No. 86"). Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses both technical design documentation and game design documentation. Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a product-by-product basis. Prior to a product's release, we expense, as part of "cost of sales—software royalties and amortization", capitalized costs when we believe such amounts are not recoverable. Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Amounts related to software development which are not capitalized are charged immediately to product development expense.

Commencing upon product release, capitalized software development costs are amortized to "cost of sales—software royalties and amortization" based on the ratio of current revenues to total projected revenues for the specific product, generally resulting in an amortization period of six months or less.

Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, music or other intellectual property or proprietary rights in the development of our products. Depending upon the agreement with the rights holder, we may obtain the rights to use acquired intellectual property in multiple products over multiple years, or alternatively, for a single product. Prior to the related product's release, we expense, as part of "cost of sales—intellectual property licenses," capitalized intellectual property costs when we believe such amounts are not recoverable. Capitalized intellectual property costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation.

Commencing upon the related product's release, capitalized intellectual property license costs are amortized to "cost of sales—intellectual property licenses" based on the ratio of current revenues for the specific product to total projected revenues for all products in which the licensed property will be utilized. As intellectual property license contracts may extend for multiple years, the amortization of capitalized intellectual property license costs relating to such contracts may extend beyond one year.

We evaluate the future recoverability of capitalized software development costs and intellectual property licenses on a quarterly basis. For products that have been released in prior periods, the primary evaluation criterion is actual title performance. For products that are scheduled to be released in future periods, recoverability is evaluated based on the expected performance of the specific products to which the costs relate or in which the licensed trademark or copyright is

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to be used. Criteria used to evaluate expected product performance include: historical performance of comparable products developed with comparable technology; orders for the product prior to its release; and, for any sequel product, estimated performance based on the performance of the product on which the sequel is based. Further, as many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors, such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property, and the rights holder's continued promotion and exploitation of the intellectual property.

Significant management judgments and estimates are utilized in the assessment of the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than, and/or revised forecasted or actual costs are greater than, the original forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Additionally, as noted above, as many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property and the rights holder's continued promotion and exploitation of the intellectual property. Material differences may result in the amount and timing of charges for any period if management makes different judgments or utilizes different estimates in evaluating these qualitative factors.

Inventories

Inventories are valued at the lower of cost (first-in, first-out or weighted average) or market.

Long-Lived Assets

Property and Equipment. Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the shorter of the estimated useful lives or the lease term: buildings, 25 to 33 years; computer equipment, office furniture and other equipment, 2 to 5 years; leasehold improvements, the shorter of 5 years or the life of the lease. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed and any resulting gains or losses are included in the accompanying consolidated statements of operations.

Goodwill and Other Indefinite-Lived Assets. We account for goodwill using the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill is considered to have an indefinite life, and is carried at cost. In addition acquired trade names were assessed as indefinite lived assets because there is no foreseeable limit on the period of time over which they are expected to contribute cash flows. Goodwill and acquired trade names are not amortized but are subject to an annual test for impairment and in between annual tests when events or circumstances indicate that the carrying value may not be recoverable.

Amortizable Intangible Assets. Intangible assets subject to amortization are carried at cost less accumulated amortization. Amortizable intangible assets consist of internally developed franchises, acquired developed software, acquired game engines, favorable leases and distribution agreements, and other intangibles related primarily to licensing activities and retail customer relationships. Intangible assets subject to amortization are amortized over the estimated useful life in proportion to the pattern in which the economic benefits are consumed. Long-lived assets including amortizable intangible assets are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and amortizable intangible assets is based on the amount by which the carrying value exceeds the fair value of the asset.

Revenue Recognition

Product sales

We recognize revenue from the sale of our products upon the transfer of title and risk of loss to our customers, and once any performance obligations have been completed. Certain products are sold to customers with a street date (the earliest date these products may be sold by retailers). For these products we recognize revenue on the later of the street date or the

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sale date. Revenue from product sales is recognized after deducting the estimated allowance for returns and price protection.

Some of our software products provide limited online features at no additional cost to the consumer. Generally, we consider such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, we recognize revenue related to products containing these limited online features upon the transfer of title and risk of loss to our customer. In instances where online features or additional functionality is considered a substantive deliverable in addition to the software product, we take this into account when applying our revenue recognition policy. This evaluation is performed for each software product together with any online transactions, such as electronic downloads of titles of product add-ons when it is released. When we determine that a software title contains online functionality that constitutes a more-than-inconsequential separate service deliverable in addition to the product, principally because of its importance to game play, we consider that our performance obligations for this title extend beyond the sale of the game. Vendor-specific objective evidence of fair value ("VSOE") does not exist for the online functionality, as we do not separately charge for this component of the title. As a result, we recognize all of the revenue from the sale of the title ratably over an estimated service period. In addition, we defer the costs of sales for this title to match revenues. Cost of sales includes: manufacturing costs, software royalties and amortization, and intellectual property licenses.

We recognize revenues for the massively, multiplayer, online game *World of Warcraft*, its expansion packs and other ancillary services in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," ("SAB No. 101"), as amended by Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB No. 104").

We consider the *World of Warcraft* boxed product including expansion packs and other ancillary revenues as a single deliverable with the total arrangement consideration combined and recognized ratably as revenue over the estimated customer life beginning upon activation of the software and delivery of the services. Revenues attributed to the sale of *World of Warcraft* boxed software and related expansion packs are classified as product sales and revenues attributable to subscription and other ancillary services are classified as subscription, licensing and other revenues.

With respect to online transactions, such as electronic downloads of titles or product add-ons that do not include a more-than-inconsequential separate service deliverable, revenue is recognized when the fee is paid by the online customer to purchase online content and we are notified by the online retailer that the product has been downloaded. In addition, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable.

Sales incentives or other consideration given by us to our customers are accounted for in accordance with EITF Issue 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." In accordance with EITF Issue 01-09, sales incentives and other consideration that are considered adjustments of the selling price of our products, such as rebates and product placement fees, are reflected as reductions to revenue. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular ad, are reflected as sales and marketing expenses.

Subscription Revenues

Subscription revenues are recognized in accordance with SAB No. 101, as amended by SAB No. 104. Subscription revenues are derived from *World of Warcraft*, a game that is playable through Blizzard's servers on a subscription-only basis. After the first month of free usage that is included with the boxed software, the *World of Warcraft* end user may enter into a subscription agreement for additional access. Subscription revenues received are deferred and recognized as subscription revenues ratably over the subscription period. Revenue from the sale of prepaid cards, sold through retail outlets and other stores, is deferred and recognized as subscription revenue ratably beginning when the cards are first activated. Revenue from Internet gaming rooms in Asia is recognized upon usage of the time packages sold. Ancillary revenues associated with subscriptions are recognized ratably over the estimated customer life.

Licensing Revenues

Third-party licensees in China and Taiwan distribute and host Blizzard's *World of Warcraft* game in their respective countries under license agreements with Blizzard. The licensees paid certain minimum, non-refundable, generally recoupable guaranteed royalties when entering into the licensing agreements. Upon receipt of the recoupable advances, we defer their recognition and recognize the revenues in subsequent periods as these advances are recouped by the licensees. As the licensees pay additional royalties above and beyond those initially advanced, we recognize these additional royalties as revenues based on activation of the underlying prepaid time by the end users.

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With respect to license agreements that provide customers the right to make multiple copies in exchange for guaranteed amounts, revenue is recognized upon delivery of a master copy. Per copy royalties on sales that exceed the guarantee are recognized as earned. In addition, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable.

Other revenues

Other revenues primarily include ancillary sales of non-software related products. It includes licensing activity of intellectual property other than software (such as characters) to third-parties. Revenue is recorded upon receipt of licensee statements, or upon the receipt of cash, provided the license period has begun.

Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence

We closely monitor and analyze the historical performance of our various titles, the performance of products released by other publishers, and the anticipated timing of other releases in order to assess future demands of current and upcoming titles. Initial volumes shipped upon title launch and subsequent reorders are evaluated to ensure that quantities are sufficient to meet the demands from the retail markets, but at the same time are controlled to prevent excess inventory in the channel. We benchmark units to be shipped to our customers using historical and industry data.

We may permit product returns from, or grant price protection to, our customers under certain conditions. In general, price protection refers to the circumstances when we elect to decrease the wholesale price of a product by a certain amount and, when granted and applicable, allows customers a credit against amounts owed by such customers to us with respect to open and/or future invoices. The conditions our customers must meet to be granted the right to return products or price protection include, among other things, compliance with applicable payment terms, and consistent delivery to us of inventory and sell-through reports. We may also consider other factors, including the facilitation of slow-moving inventory and other market factors. Management must make estimates of potential future product returns and price protection related to current period product revenue. We estimate the amount of future returns and price protection for current period product revenue utilizing historical experience and information regarding inventory levels and the demand and acceptance of our products by the end consumer. The following factors are used to estimate the amount of future returns and price protection for a particular title: historical performance of titles in similar genres; historical performance of the hardware platform; historical performance of the franchise; console hardware life cycle; sales force and retail customer feedback; industry pricing; weeks of on-hand retail channel inventory; absolute quantity of on-hand retail channel inventory; our warehouse on-hand inventory levels; the title's recent sell-through history (if available); marketing trade programs; and competing titles. The relative importance of these factors varies among titles depending upon, among other items, genre, platform, seasonality, and sales strategy. Significant management judgments and estimates must be made and used in connection with establishing the allowance for returns and price protection in any accounting period. Based upon historical experience we believe our estimates are reasonable. However, actual returns and price protection could vary materially from our allowance estimates due to a number of reasons including, among others, a lack of consumer acceptance of a title, the release in the same period of a similarly themed title by a competitor, or technological obsolescence due to the emergence of new hardware platforms. Material differences may result in the amount and timing of our revenue for any period if factors or market conditions change or if management makes different judgments or utilizes different estimates in determining the allowances for returns and price protection. For example, a 1% change in our September 30, 2008 allowance for returns and price protection would impact net revenues by \$2 million.

Similarly, management must make estimates of the uncollectibility of our accounts receivable. In estimating the allowance for doubtful accounts, we analyze the age of current outstanding account balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends, and changes in

our customers' payment terms and their economic condition, as well as whether we can obtain sufficient credit insurance. Any significant changes in any of these criteria would affect management's estimates in establishing our allowance for doubtful accounts.

We value inventory at the lower of cost or market. We regularly review inventory quantities on hand and in the retail channel and record a provision for excess or obsolete inventory based on the future expected demand for our products. Significant changes in demand for our products would impact management's estimates in establishing our inventory provision.

Shipping and Handling

Shipping and handling costs, which consist primarily of packaging and transportation charges incurred to move finished goods to customers, are included in "cost of sales—product costs."

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Income Taxes

We account for income taxes using Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under SFAS No. 109, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Foreign Currency Translation

The functional currencies of our foreign subsidiaries are their local currencies. All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of the period, and revenue and expenses are translated at average exchange rates during the period. The resulting translation adjustments are reflected as a component of accumulated other comprehensive income (loss) in shareholders' equity.

Earnings (Loss) Per Common Share

Basic earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for all periods. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding, increased by common stock equivalents. Common stock equivalents are calculated using the treasury stock method and represent incremental shares issuable upon exercise of our outstanding options and warrants. However, potential common shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded. Earnings (loss) per share for periods prior to the Business Combination are retrospectively adjusted to reflect the number of split adjusted shares received by Vivendi, former parent company of Vivendi Games.

Stock-Based Compensation

We account for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R requires companies to estimate the fair value of share-based payment awards on the measurement date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statement of Operations.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in our Consolidated Statement of Operations for the three and nine months ended September 30, 2008 included compensation expense for share-based payment awards granted by Activision, Inc. prior to, but not yet vested as of July 9, 2008, based on the revalued fair value estimated as of July 9, 2008 (see note 17), and compensation expense for the share-based payment awards granted subsequent to July 9, 2008 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Stock-based compensation expense recognized in the Consolidated Statement of Operations is based on awards ultimately expected to vest and has been reduced for estimated forfeitures. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

We estimate the value of employee stock options on the date of grant using a binomial-lattice model (see Note 17). Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

Prior to the Business Combination, Vivendi Games had equity incentive plans that are equity-settled and cash-settled. Equity-settled award includes stock options and restricted shares plans from Vivendi, and the cash-settled award includes stock appreciation rights and restricted stock units from Vivendi, and the Blizzard Equity Plan ("BEP"). In accordance with SFAS No. 123R, for cash-settled awards, the Company recorded a liability and recognized changes in fair value of the liability that occur during the period as compensation cost over the requisite service period. Changes in the fair value of the liability that occur after the end of the requisite service period are compensation cost of the period in which the changes occur. Any differences between the amount for which the liability is settled and its fair value at the settlement date as estimated in accordance with SFAS No. 123R is an adjustment of compensation cost in the period of settlement.

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4. Acquisitions

Reverse acquisition

The Business Combination (see Note 1) is accounted for as a reverse acquisition under the purchase method of accounting. For this purpose, Vivendi Games was deemed to be the accounting acquirer and Activision, Inc. was deemed to be the accounting acquiree.

The preliminary purchase price of Activision, Inc. consists of the following items (amounts in millions):

Fair market value of Activision, Inc.'s outstanding common stock immediately prior to the Business Combination at the closing price	\$	9,102
Fair value of Activision, Inc.'s existing vested and unvested stock awards at the closing price*		861
Transaction expenses		1
Total consideration	\$	9,964

* The fair value of the existing vested and unvested stock award is comprised of the following (amounts in millions):

Fair value of Activision, Inc. existing vested stock awards	\$	713
Fair value of Activision, Inc. unvested stock awards		296
Less: Unearned stock-based compensation		(148)
	\$	861

The fair value of Activision, Inc.'s stock awards was determined using fair value of Activision, Inc.'s common stock of \$15.04 per share, which is the closing price as of July 9, 2008 a binomial-lattice model and the following assumptions: (a) varying volatility ranging from 42.38% to 51.50%, (b) a risk free interest rate of 3.97%, (c) an expected life ranging from approximately 3.22 years to 4.71 years, (d) risk adjusted stock return of 8.89%, and (e) an expected dividend yield of 0.0%.

The Company's allocation of the preliminary purchase price of Activision, Inc. is as follows (amounts in millions):

	<u>Amount</u>
Working capital, excluding inventories	\$ 1,194
Inventories	221
Property and equipment	64
Deferred tax asset	62
Other long term assets	128
	Estimated useful life
Intangible assets:	
License agreements	3 - 10 years 207
Developed software	Less than 1 year 68
Game engines	2 - 5 years 128
Internally developed franchises	5 - 12 years 1,124
Retail customer relationships	Less than 1 year 40
Favorable leases	1 - 2 years 5
Distribution agreements	4 years 17
Activision trade name	Indefinite 386
Goodwill	Indefinite 7,085
Long term liabilities	(24)
Deferred tax liability	(741)
Total consideration	\$ 9,964

Goodwill arises from the Business Combination due to the acquired work force of Activision, Inc., and the expected synergies from the Business Combination. The following table presents the gross and net balances, and accumulated amortization of the components of our purchased amortizable intangible assets acquired in the Business Combination as of September 30, 2008 (amounts in millions):

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	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
License agreements	\$ 207	\$ (8)	\$ 199
Developed software	68	(21)	47
Game engines	128	(6)	122
Internally developed franchises	1,124	(16)	1,108
Retail customer relationships	40	(36)	4
Favorable leases	5	(1)	4
Distribution agreements	17	(1)	16
Total	\$ 1,589	\$ (89)	\$ 1,500

Intangibles and goodwill are not tax deductible. The estimated future after-tax decreases to net income from the amortization of the finite-lived intangible assets are the following amounts (amounts in millions):

<u>Year ending December 31,</u>	<u>Amount</u>
2008 (remaining three months)	\$ 222
2009	284
2010	198
2011	141
2012	119
Thereafter	536

The following table summarizes unaudited pro forma financial information assuming the Business Combination (see Note 1) had occurred at the beginning of the periods presented. This pro forma financial information is for informational purposes only and does not reflect any operating efficiencies or inefficiencies which may result from the Business Combination and therefore is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented (amounts in millions, except per share data).

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Pro forma net revenues	\$ 764	\$ 644	\$ 2,698	\$ 2,022
Pro forma net loss	(121)	(9)	(166)	(103)
Pro forma net loss per share - basic and diluted	(0.09)	(0.01)	(0.13)	(0.08)

Freestyle Games, Ltd.

On September 11, 2008, we completed an acquisition of Freestyle Games, Ltd., a premier United Kingdom based video game developer specializing in music based games. The acquisition is expected to be immaterial to current year earnings (loss) per share and cash flow. Additionally, pro forma Consolidated Statements of Operations for this acquisition are not shown, as they would not differ materially from reported results.

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5. **Inventories**

We value inventories at the lower of cost (first-in, first-out or weighted average) or market. Our inventories consist of the following (amounts in millions):

	September 30, 2008	December 31, 2007
Finished goods	\$ 353	\$ 19
Purchased parts and components	24	2
	<u>\$ 377</u>	<u>\$ 21</u>

6. **Goodwill**

The changes in the carrying amount of goodwill by reportable segments, (see Notes 2 and 14 for details) for the nine months ended September 30, 2008 are as follows (amounts in millions):

	Blizzard	Activision	Distribution	Activision Blizzard's Core Operations	Activision Blizzard's Non-core Exit Operations	Total
Balance as of December 31, 2007	\$ 178	\$ —	\$ —	\$ 178	\$ 25	\$ 203
Goodwill acquired during the period	—	7,080	12	7,092	—	7,092
Re-assigned goodwill	—	7	—	7	(7)	—
Issuance of contingent consideration	—	—	—	—	6	6
Impairment charge (see Note 10)	—	—	—	—	(16)	(16)
Tax benefit credited to goodwill	—	(15)	—	(15)	—	(15)
Balance as of September 30, 2008	<u>\$ 178</u>	<u>\$ 7,072</u>	<u>\$ 12</u>	<u>\$ 7,262</u>	<u>\$ 8</u>	<u>\$ 7,270</u>

Goodwill acquired during the period represents goodwill of \$7.1 billion related to the acquisition of Activision, Inc. (see Note 4). As a result of the Business Combination, goodwill affected by the reorganization/integration was reassigned to the reporting units affected using a relative fair value approach. The tax benefit credited to goodwill represents the tax deduction resulting from the exercise of stock options that were outstanding and vested at the consummation of the Business Combination and included in the purchase price of Activision, Inc. to the extent that the tax deduction does not exceed the fair value of those options.

7. **Intangible assets**

Intangible assets consist of the following (amounts in millions):

	September 30, 2008				
	Estimated Useful Lives	Gross carrying amount	Accumulated amortization	Impairment charge (See Note 10)	Net
Acquired definite-lived intangible assets:					
License agreements	3-10 years	\$ 207	\$ (8)	\$ —	\$ 199
Developed software	1-2 years	283	(233)	—	50
Game engines	2-5 years	136	(6)	—	130
Internally developed franchises	11-12 years	1,124	(16)	—	1,108
Retail customer relationships	Less than 1 year	40	(36)	—	4
Favorable leases	1-4 years	5	(1)	—	4
Distribution agreements	4 years	17	(1)	—	16
Other intangibles	0-2 years	14	(12)	—	2

Acquired indefinite-lived intangible assets:					
Activision trademark	Indefinite	386	—	—	386
Acquired trade names	Indefinite	52	—	(5)	47
Total		<u>\$ 2,264</u>	<u>\$ (313)</u>	<u>\$ (5)</u>	<u>\$ 1,946</u>

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	Estimated Useful Lives	December 31, 2007				Net
		Gross carrying amount	Accumulated amortization	Impairment charge		
Acquired definite-lived intangible assets:						
Developed software	2 yrs	\$ 215	\$ (210)	\$ —	\$ 5	
Other intangibles	0-2 yrs	14	(11)	—	3	
Acquired indefinite-lived intangible assets:						
Acquired trade names	Indefinite	52	—	—	52	
Total		<u>\$ 281</u>	<u>\$ (221)</u>	<u>\$ —</u>	<u>\$ 60</u>	

Amortization expense of intangible assets for the three and nine months ended September 30, 2008 was \$90 million and \$92 million, respectively. Amortization expense of intangible assets for the three and nine months ended September 30, 2007 was \$1 million and \$3 million, respectively.

8. Income Taxes

The income tax benefit of \$62 million for the three months ended September 30, 2008 reflects our effective income tax rate benefit for the quarter of 36.5%. The significant items that generate the variance between our effective rate for the three-months ended September 30, 2008 and our statutory rate of 35% were the result of the state income taxes provided, net of federal benefit, foreign income taxes, goodwill impairment and California research and development tax credits.

For the nine months ended September 30, 2008 our effective tax rate benefit of 37.9% differs from the effective tax rate benefit of 9.3% for the nine months ended September 30, 2007. The difference is due to the recognition of the California Research and Development tax credit and IRC 199 Domestic Production Deduction in the third quarter of 2008 and tax benefits from net operating losses surrendered at September 30, 2007.

The income tax benefit of \$12 million for the nine months ended September 30, 2007 reflects our effective income tax rate benefit of 9.3%, which differs from our effective tax rate benefit of 30% for the year ended December 31, 2007 due to the recognition of research and development tax credits in the fourth quarter of 2007 and the release of additional valuation allowance on deferred tax assets and net operating losses surrendered when compared to those estimated at September 30, 2007, as a result of meeting the more likely than not recognition criteria in the fourth quarter of 2007.

We adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”) an interpretation of SFAS No. 109 on January 1, 2007. At December 31, 2007, we had \$14 million of unrecognized tax benefits. As a result of the Business Combination, an additional \$74 million of unrecognized tax benefits was added, resulting in a balance of \$88 million at September 30, 2008. It is reasonably possible there will be an \$11 million decrease of our unrecognized tax benefits within the next twelve months due to the completion of certain income tax audits.

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We recognize interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2008, we had approximately \$1 million of accrued interest related to uncertain tax positions. For the nine months ended September 30, 2008, we recorded approximately \$1 million of interest expense related to uncertain tax positions.

On July 9, 2008, Activision Blizzard entered into a Tax Sharing Agreement (the “Tax Sharing Agreement”) with Vivendi. The Tax Sharing Agreement generally governs Activision Blizzard’s and Vivendi’s respective rights, responsibilities and obligations with respect to the ordinary course of business taxes. Under the Tax Sharing Agreement, with certain exceptions, Activision Blizzard generally is responsible for the payment of U.S. and certain non-U.S. income taxes that are required to be paid to tax authorities on a stand-alone Activision Blizzard basis. In the event that Activision Blizzard joins Vivendi in the filing of a group tax return, Activision Blizzard will pay its share of the tax liability for such group tax return to Vivendi, and Vivendi will pay the tax liability for the entire group to the appropriate tax authority. Vivendi will indemnify Activision Blizzard for any tax liability imposed upon it due to Vivendi’s failure to pay any group tax liability. Activision Blizzard will indemnify Vivendi for any tax liability imposed on Vivendi (or any of its subsidiaries) due to Activision Blizzard’s failure to pay any taxes it owes under the Tax Sharing Agreement.

9. Software Development Costs and Intellectual Property Licenses

As of September 30, 2008, capitalized software development costs included \$180 million of internally developed software costs and \$66 million of payments made to third-party software developers. As of December 31, 2007, capitalized software development costs included \$1 million of internally developed software costs and \$75 million of payments made to third-party software developers. Capitalized intellectual property licenses were \$10 million and \$17 million as of September 30, 2008 and December 31, 2007, respectively. Amortization and write-offs of capitalized software development costs and intellectual property licenses for the three and nine months ended September 30, 2008 and 2007 was \$81 million and \$1 million, \$120 million and \$15 million, respectively.

10. Restructuring

The Company has implemented an organizational restructuring as a result of the Business Combination described in Note 1. This organizational restructuring is to integrate different operations to create the streamlined organization of Activision Blizzard.

The primary goals of the organizational restructuring were to rationalize the title portfolio and consolidate certain corporate functions so as to realize the synergies of the Business Combination.

Since the consummation of the Business Combination, the Company has commenced the organizational restructuring activities, focusing first on North American staff, redundant premises and related redundant equipment assets. We have communicated to the North America, Canada, and Australia redundant employees and ceased use of certain offices under operating lease contracts. Impairment of goodwill and other intangibles and write-offs of prepaid royalties and intellectual licenses were also recorded as a result. The following table details the amount of restructuring reserves included in accrued expenses and other liabilities in the Consolidated Balance Sheets at September 30, 2008 (amounts in millions):

	Severance(1)	Facilities costs(1)	Asset write-downs(2)	Contract termination costs(1)	Total
Balance as of December 31, 2007	\$ —	\$ —	\$ —	\$ —	\$ —
Original restructuring charges (charges to expenses)	32	2	24	3	61
Utilization (cash paid or otherwise settled)	(9)	—	(24)	(2)	(35)
Balance at September 30, 2008	<u>\$ 23</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 26</u>

(1) Accounted for in accordance with Statement of Financial Accounting Standards 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146").

(2) Accounted for in accordance with SFAS No. 144 and SFAS No. 142.

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Utilization represents the amount of cash paid to settle restructuring liabilities incurred (\$9 million of severance and \$2 million of contract termination costs) and non-cash asset write-down charges of which \$3 million relates to fixed assets disposal, \$5 million relates to impairment of acquired trade name, and \$16 million relates to impairment of goodwill.

The total restructuring reserve balance as of September 30, 2008 and the net restructuring charges for the three and nine months periods then ended are presented below by reporting segments (amounts in millions):

	Restructuring charges		
	Ending balance September 30, 2008	Three months ended September 30, 2008	Nine months ended September 30, 2008
Activision	\$ —	\$ 1	\$ 1
Blizzard	—	—	—
Distribution	—	—	—
Activision Blizzard's core operations	—	1	1
Activision Blizzard's non-core exit operations	26	60	60
Total	<u>\$ 26</u>	<u>\$ 61</u>	<u>\$ 61</u>

For the next nine months, we anticipate incurring between \$75 million and \$100 million of additional before tax restructuring charges, and after tax cash restructuring charges between \$45 million and \$60 million relating to the Business Combination. Overall, including charges incurred through September 30, 2008, we expect to incur cash and non-cash before tax restructuring charges between \$135 million and \$160 million by June 30, 2009 with an after tax cash impact between \$70 million and \$90 million. The after tax cash charges are expected to consist primarily of employee-related severance cash costs (approximately \$55 million), facility exit cash costs (approximately \$25 million) and cash contract terminations (approximately \$10 million). Separately, these restructuring charges are expected to be partially offset by approximately between \$30 million and \$50 million of cash proceeds from asset disposals and cash after tax benefits related to the streamlining of the Vivendi Games title portfolio.

11. Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

Comprehensive Income (loss)

The components of comprehensive income (loss) for the three and nine months ended September 30, 2008 and 2007 were as follows (amounts in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net income (loss)	\$ (108)	\$ 48	\$ (36)	\$ 141
Other comprehensive income (loss):				
Foreign currency translation adjustment	(26)	7	(25)	2
Unrealized depreciation on short-term investments, net of taxes	(2)	—	(2)	—
Other comprehensive income (loss)	(28)	7	(27)	2
Comprehensive income (loss)	<u>\$ (136)</u>	<u>\$ 55</u>	<u>\$ (63)</u>	<u>\$ 143</u>

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Accumulated Other Comprehensive Income (Loss)

For the nine months ended September 30, 2008 the components of accumulated other comprehensive income (loss) were as follows (amounts in millions):

	Foreign currency	Unrealized appreciation (depreciation) on investments	Accumulated other comprehensive income
Balance as of December 31, 2007	\$ 40	\$ —	\$ 40
Other comprehensive loss	(25)	(2)	(27)
Balance as of September 30, 2008	<u>\$ 15</u>	<u>\$ (2)</u>	<u>\$ 13</u>

Other comprehensive income (loss) is presented net of tax benefits related to unrealized depreciation on our investments for the nine months ended September 30, 2008. Income taxes were not provided for foreign currency translation items as these are considered indefinite investments in non-U.S. subsidiaries.

12. Investment Income (Loss), Net

Investment income (loss), net is comprised of the following (amounts in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Interest income (expense), net	\$ 17	\$ (2)	\$ 22	\$ (3)
Net realized gain on investments	4	—	4	—
Net unrealized gain (loss) on foreign exchange contracts	3	—	2	(2)
Investment income (loss), net	<u>\$ 24</u>	<u>\$ (2)</u>	<u>\$ 28</u>	<u>\$ (5)</u>

In 2007, Vivendi provided Vivendi Games access to centralized cash management pool from which Vivendi Games was able to borrow or lend on a daily basis at market rates. From the consummation of the Business Combination, we managed our own investment portfolio.

13. Fair Value Measurements

As of January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("SFAS No. 157") for financial assets and liabilities. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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The table below segregates all financial assets and liabilities that are measured at fair value on a recurring basis (which, for purposes of SFAS No. 157, means they are so measured at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. Financial Statement Position FAS 157-2 delayed the effective date for the application of SFAS No. 157 for all nonfinancial assets and liabilities until January 1, 2009, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (amounts in millions):

	September 30, 2008	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Money market funds	\$ 2,673	\$ 2,673	\$ —	\$ —
Asset-backed securities	7	—	7	—
Auction rate securities	86	—	—	86
Total financial assets at fair value	<u>\$ 2,766</u>	<u>\$ 2,673</u>	<u>\$ 7</u>	<u>\$ 86</u>

The following table provides a reconciliation of the beginning and ending balances for our investment in auction rate securities, as these assets are measured at fair value using significant unobservable inputs (Level 3) (amounts in millions):

	Level 3
Balance as of January 1, 2008	\$ —
Transfers in and/or (out) of Level 3	—
Purchases via the business combination	88
Total losses realized/unrealized included in earnings	—
Total losses included in other comprehensive income (a)	(2)
Purchases, sales, issuances, and settlements, net	—
Interest received	—
Balance as of September 30, 2008	<u>\$ 86</u>

(a) Due to uncertainties surrounding the timing of liquidation of our auction rate securities, we classify these instruments as long-term investments in our consolidated balance sheets as of September 30, 2008. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 35 days. On an industry-wide basis, many auctions have failed, and there is, as yet, no meaningful secondary market for these instruments. Each of the auction rate securities in our investment portfolio as of September 30, 2008 has experienced a failed auction and there is no assurance that future auctions for these securities will succeed. An auction failure means that the parties wishing to sell their securities could not be matched with an adequate volume of buyers. In the event that there is a failed auction, the indenture governing the security requires the issuer to pay interest at a contractually defined rate that is generally above market rates for other types of similar instruments. The securities for which auctions have failed will continue to earn interest at the contractual rate and be auctioned every 7 to 35 days until the auction succeeds, the issuer calls the securities or they mature. As a result, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or not exist.

Consequently, fair value measurements have been estimated using an income-approach model (discounted cash-flow analysis). When estimating the fair value, we consider both observable market data and non-observable factors, including credit quality, duration, insurance wraps, collateral composition, maximum rate formulas, comparable trading instruments, and likelihood of redemption. Significant assumptions used in the analysis include estimates for interest rates, spreads, cash flow timing and amounts, and holding periods of the securities. Assets measured at fair value using significant unobservable inputs (Level 3) represent approximately 3% of our financial assets measured at fair value on a recurring basis.

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14. Operations by Reportable Segments and Geographic Area

Our reportable segments are in accordance with our internal organizational structure, the manner in which our operations are reviewed and managed by our Chief Executive Officer, our Chief Operating Decision Maker (“CODM”), the manner in which operating performance is assessed and resources are allocated, and the availability of separate financial information.

Prior to the Business Combination, Vivendi Games managed its business in two main divisions: Blizzard Entertainment and Sierra Entertainment (along with Sierra online and Vivendi Games Mobile). As a result of the Business Combination, we provide our CODM financial information based upon management’s new organizational structure.

Based upon our current organizational structure, we operate four business segments: (i) Blizzard Entertainment, Inc. and its subsidiaries – publishing of traditional games and online subscription-based games in the MMOG category (“Blizzard”), (ii) Activision Publishing - publishing of interactive entertainment software and peripherals which includes certain studios, assets, and titles previously included in Vivendi Games Sierra Entertainment prior to the Business Combination (“Activision”), (iii) Activision Blizzard Distribution - distribution of interactive entertainment software and hardware products (“Distribution”) (these three business segments form Activision Blizzard’s core operations) and (iv) Activision Blizzard’s non-core exit operations. Activision Blizzard’s non-core exit operations represent legacy Vivendi Games’ divisions or business units that the Company has begun to exit or wind down as part of our restructuring and integration efforts as a result of the Business Combination, but do not meet the criteria for separate reporting of discontinued operations. In accordance with the provisions of SFAS No. 131, all prior period segment information has been restated, when practical, to conform to this new financial statement presentation.

The consummation of the Business Combination resulted in Activision and Distribution net revenues, and segment income (loss) from operations being included from the date of the Business Combination but not for prior periods. Also, Activision in prior periods included Vivendi Games titles retained after the Business Combination.

The CODM reviews segment performance exclusive of the impact of the deferral of net revenues and cost of sales, stock-based compensation expense, restructuring expense, amortization of intangible assets and purchase price accounting related adjustments, and integration and transaction costs. Information on the reportable segments and reconciliations of total net revenues and total segment income (loss) from operations to consolidated net revenues and operating income (loss) for the three and nine months ended September 30, 2008 and 2007 are presented below (amounts in millions):

	Three months ended September 30,			
	2008		2007	
	2008	2007	2008	2007
	Net revenues		Segment income (loss) from operations	
Activision	\$ 364	\$ 43	\$ (26)	\$ (19)
Blizzard	297	249	146	132
Distribution	56	—	2	—
Activision Blizzard’s core operations	717	292	122	113
Activision Blizzard’s non-core exit operations	6	3	(110)	(40)
Reportable segments total	723	295	12	73
Reconciliation to consolidated net revenues / operating income (loss):				
Net effect from deferral of net revenues and cost of sales	(12)	31	(12)	28
Stock-based compensation expense	—	—	(26)	(43)
Restructuring expense	—	—	(61)	—
Amortization of intangible assets and purchase price accounting related adjustments	—	—	(90)	(1)
Integration and transaction costs	—	—	(17)	—
Consolidated net revenues / operating income (loss)	\$ 711	\$ 326	\$ (194)	\$ 57

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	Nine months ended September 30,			
	2008		2007	
	2008	2007	2008	2007
	Net revenues		Segment income (loss) from operations	
Activision	\$ 457	\$ 108	\$ (61)	\$ (79)

Blizzard	866	856	447	447
Distribution	56	—	3	—
Activision Blizzard's core operations	1,379	964	389	368
Activision Blizzard's non-core exit operations	16	9	(251)	(86)
Reportable segments total	1,395	973	138	282
Reconciliation to consolidated net revenues / operating income (loss):				
Net effect from deferral net revenues and cost of sales	(8)	(77)	(7)	(67)
Stock-based compensation expense	—	—	(47)	(77)
Restructuring expense	—	—	(61)	(1)
Amortization of intangible assets and purchase price accounting related adjustments	—	—	(92)	(3)
Integration and transaction costs	—	—	(17)	—
Consolidated net revenues / operating income (loss)	\$ 1,387	\$ 896	\$ (86)	\$ 134

Total assets as of September 30, 2008 for Activision Blizzard's core operations were \$13.7 billion, of which \$12.9 billion relates to Activision, \$539 million to Blizzard, and \$209 million to Distribution. Total assets as of September 30, 2008 of Activision Blizzard's non-core exit operations were \$47 million. We have not provided total assets as of September 30, 2007 to our CODM comparable data based on the new organizational structure as it is not practical because prior to the Business Combination, Vivendi Games did not maintain accounting records that allocate assets or liabilities for reportable segments.

Geographic information for the three and nine months ended September 30, 2008 and 2007 is based on the location of the selling entity. Revenues from external customers by geographic regions were as follows (amounts in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
North America	\$ 295	\$ 147	\$ 591	\$ 422
Europe	348	122	627	374
Asia Pacific	62	54	153	91
Total territory revenues	705	323	1,371	887
Activision Blizzard's non-core exit operations	6	3	16	9
Total consolidated net revenues	\$ 711	\$ 326	\$ 1,387	\$ 896

Revenues by platform were as follows (amounts in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
MMOG	271	269	828	746
Console	272	16	335	53
Hand-held	81	7	102	21
PC	25	31	50	67
Total platforms revenues	649	323	1,315	887
Distribution	56	—	56	—
Activision Blizzard's non-core exit operations	6	3	16	9
Total consolidated net revenues	\$ 711	\$ 326	\$ 1,387	\$ 896

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We did not have a single external customer that accounted for 10% or more of consolidated net revenues for the three and nine month periods ended September 30, 2008 and 2007.

15. Computation of Earnings (Loss) Per Share

On July 9, 2008, Vivendi obtained control of Activision, Inc. through acquisition of the majority of the outstanding common stock of Activision, Inc. For accounting purposes, Vivendi Games is deemed to be the acquirer (reverse acquisition — see note 1). The historical financial statements prior to July 9, 2008, are those of Vivendi Games. Further, earnings (loss) per share for periods prior to the Business Combination are retrospectively adjusted to reflect the number of split adjusted shares received by Vivendi, former parent of Vivendi Games. The following table sets forth the computations of net income (loss) per share on a basic and diluted basis (amounts in millions, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Numerator:				
Numerator for basic and diluted earnings (loss) per share – income available to common shareholders	\$ (108)	\$ 48	\$ (36)	\$ 141
Denominator:				
Denominator for basic and diluted earnings (loss) per share - weighted-average common shares outstanding	1,271	591	816	591
Net income (loss) per share				
Basic and diluted	\$ (0.08)	\$ 0.08	\$ (0.04)	\$ 0.24

Equity incentive awards consisting of stock options, restricted stock units and restricted stock with respect to an aggregate of 55 million shares of common stock for the three and nine months ended September 30, 2008, respectively, were not included in the calculation of diluted earnings per share because their effect would be antidilutive. Potential common shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

16. Commitments and Contingencies

Credit Facilities

We have revolving credit facilities with our Centresoft subsidiary located in the UK (the "UK Facility") and our NBG subsidiary located in Germany (the "German Facility"). The UK Facility provided Centresoft with the ability to borrow up to GBP 12 million (\$22 million), including issuing letters of credit, on a revolving basis as of September 30, 2008. The UK Facility bore interest at the London Inter-bank Offer Rate ("LIBOR") plus 2.0% as of September 30, 2008, is collateralized by substantially all of the assets of the subsidiary and will expire in February 2009. The UK Facility contains various covenants that require the subsidiary to maintain specified financial ratios related to, among others, fixed charges. The German Facility provided for revolving loans up to approximately EUR 1 million (\$1 million) as of September 30, 2008, bore interest at a Eurocurrency rate plus 2.5%, is collateralized by certain of the subsidiary's property and equipment and has no expiration date. No borrowings were outstanding against the UK Facility and the German Facility as of September 30, 2008.

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As of September 30, 2008, we maintained an \$85 million irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. Under the terms of this arrangement, we are required to maintain on deposit with the bank a compensating balance, restricted as to use, of not less than the sum of the available amount of the letter of credit plus the aggregate amount of any drawings under the letter of credit that have been honored thereunder but not reimbursed. At September 30, 2008, the \$85 million deposit is included in short-term investments as restricted cash. The letter of credit was undrawn as of September 30, 2008.

As of September 30, 2008, our publishing subsidiary located in the UK maintained a EUR 25 million (\$37 million) irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. The standby letter of credit does not require a compensating balance and is collateralized by substantially all of the assets of the subsidiary and expires in February 2009. No borrowings were outstanding as of September 30, 2008.

On April 29, 2008, Activision, Inc. entered a senior unsecured credit agreement with Vivendi (as lender). Borrowings under the agreement became available upon consummation of the Business Combination. As of September 30, 2008, the credit agreement provides for a revolving credit facility of up to \$475 million, bearing interest at LIBOR plus 1.20% per annum. Any unused amount under the revolving credit facility is subject to a commitment fee of 0.42% per annum. No borrowings were outstanding as of September 30, 2008.

Commitments

In the normal course of business, we enter into contractual arrangements with third parties for non-cancelable operating lease agreements for our offices, for the development of products, and for the rights to intellectual property. Under these agreements, we commit to provide specified payments to a lessor, developer or intellectual property holder, as the case may be, based upon contractual arrangements. The payments to third-party developers are generally conditioned upon the achievement by the developers of contractually specified development milestones. Further, these payments to third-party developers and intellectual property holders typically are deemed to be advances and are recoupable against future royalties earned by the developer or intellectual property holder based on the sale of the related game. Additionally, in connection with certain intellectual property rights acquisitions and development agreements, we will commit to spend specified amounts for marketing support for the related game(s) which is to be developed or in which the intellectual property will be utilized. Assuming all contractual provisions are met, the total future minimum commitments for these and other contractual arrangements in place as of September 30, 2008 are scheduled to be paid as follows (amounts in millions):

	<u>Contractual Obligations(1)</u>			
	<u>Facility and Equipment Leases</u>	<u>Developer and IP</u>	<u>Marketing</u>	<u>Total</u>
For the year ending December 31,				
2008 (remaining three months)	\$ 12	\$ 43	\$ 26	\$ 81
2009	40	62	45	147
2010	35	40	4	79
2011	23	17	13	53
2012	21	22	—	43
Thereafter	64	38	—	102
Total	<u>\$ 195</u>	<u>\$ 222</u>	<u>\$ 88</u>	<u>\$ 505</u>

(1) We have omitted FIN 48 liabilities from this table due to the inherent uncertainty regarding the timing of potential issue resolution. Specifically, either (a) the underlying positions have not been fully enough developed under audit to quantify at this time or, (b) the years relating to the issues for certain jurisdictions are not currently under audit. As of September 30, 2008, we had \$88 million of unrecognized tax benefits.

Legal Proceedings

On February 8, 2008, the Wayne County Employees' Retirement System filed a lawsuit challenging the Business Combination in the Delaware Court of Chancery. The suit is a putative class action filed against the parties to the Business Combination Agreement as well as certain current and former members of our Board of Directors. The plaintiff

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alleges, among other things, that our current and former directors named therein failed to fulfill their fiduciary duties with regard to the Business Combination by “surrendering” the negotiating process to “conflicted management,” that those breaches were aided and abetted by Vivendi and those of its subsidiaries named in the complaint, and that the preliminary proxy statement filed by the Company on January 31, 2008 contains certain statements that the plaintiff alleges are false and misleading. The plaintiff seeks an order from the court that, among other things, certifies the case as a class action, enjoins the Business Combination, requires the defendants to disclose all material information, declares that the Business Combination is in breach of the directors’ fiduciary duties and therefore unlawful and unenforceable, awards the plaintiff and the putative class damages for all profits and special benefits obtained by the defendant in connection with the Business Combination and tender offer, and awards the plaintiff its cost and expense, including attorney’s fees.

After various initial motions were filed and ruled upon, on May 8, 2008, the plaintiff filed an amended complaint that, among other things, added allegations relating to a revised preliminary proxy statement filed by the Company on April 30, 2008. Additional motions were then filed, including a motion for preliminary injunction filed by the plaintiff and a motion to dismiss filed by Vivendi and its subsidiaries. On June 24, 2008, the court granted Vivendi and its subsidiaries’ motion to dismiss as to them. On July 1, 2008, the court denied plaintiff’s motion for preliminary injunction. The Company intends to defend itself vigorously.

In July 2006, individuals and/or entities claiming to be our stockholders filed derivative lawsuits, purportedly on our behalf, against certain current and former members of our Board of Directors as well as several of our current and former officers. Three derivative actions were filed in Los Angeles Superior Court: Vazquez v. Kotick, et al., L.A.S.C. Case No. BC355327 (filed July 12, 2006); Greuer v. Kotick, et al. L.A.S.C. Case No. SC090343 (filed July 12, 2006); and Amalgamated Bank v. Baker, et al., L.A.S.C. Case No. BC356454 (filed August 3, 2006). These actions were consolidated by the court under the caption *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Master File No. SC090343 (West, J.). Four derivative actions were filed in the United States District Court for the Central District of California: Pfeiffer v. Kotick, et al., C.D. Cal. Case No. CV06-4771 MRP (JTLx) (filed July 31, 2006); Hamian v. Kotick, et al., C.D. Cal. Case No. CV06-5375 MRP (JLTx) (filed August 25, 2006); Abdelnur vs. Kotick et al., C.D. Cal. Case No. CV07-3575 AHM (PJWx) (filed June 1, 2007); and Scarborough v. Kotick et al., C.D. Cal. Case No. CV07-4602 SVW (PLAx) (filed July 18, 2007). These actions were also consolidated, under the caption *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx) (Pfaelzer, J.). The consolidated complaints alleged, among other things, purported improprieties in our issuance of stock options. Plaintiffs sought various relief on our behalf, including damages, restitution of benefits obtained from the alleged misconduct, equitable relief, including an accounting and rescission of option contracts; and various corporate governance reforms. We expect that defense expenses associated with the matters will be covered by our directors and officers insurance, subject to the terms and conditions of the applicable policies.

On July 22, 2008 and July 28, 2008, all claims in the consolidated stock options dating-related shareholder derivative actions pending in the U.S. District Court for the Central District of California and in Los Angeles Superior Court, respectively, were dismissed with prejudice pursuant to the District Court’s order finally approving the Stipulation of Settlement entered into by all parties to the actions. In entering into the Stipulation of Settlement, neither we nor any of the settling parties admitted to any liability or wrongdoing. Under the terms of the court-approved Stipulation of Settlement, we are required to adopt, implement and/or maintain certain corporate governance and internal control measures, relating principally to the following: board composition, structure and practices, director independence standards, stock ownership and compensation, and education; shareholder proposal evaluation process; nomination procedures for shareholder-nominated directors; shareholder meeting procedures; executive compensation policies and procedures; insider trading controls; and stock option granting procedures. We agreed to keep these measures in place for a period of three years, subject to certain exceptions. The Stipulation of Settlement also addresses matters relating to the agreements by certain of our current and former directors and officers to reimburse the Company in connection with the receipt of options that required measurement date corrections. In the case of options already exercised, the agreements allowed reimbursement to be made either by cancellation of vested but unexercised options with a value equivalent to the additional exercise price or by payment of additional exercise price. In the case of options not yet exercised, the exercise price to be paid upon future exercise of those options is increased. In the aggregate, settling defendants have elected to cancel options to acquire approximately 800,000 shares of our common stock and have agreed to increases in the exercise prices of approximately 16.1 million options. The modification of these options did not result in any incremental compensation expense. The Stipulation of Settlement also provides for the forgiveness of approximately \$2 million in legal fees previously billed to us by former outside corporate counsel. In addition, the Stipulation of Settlement provides for us to pay \$10 million to plaintiffs’ attorneys for their fees and expenses, subject to court approval of such fees and expenses and subject to our reservation of all rights against our directors and officers (“D&O”) insurers, reinsurers and co-insurers. The Company paid the \$10 million during the current quarter. The Stipulation of Settlement also provides that plaintiffs’ attorneys will also be entitled to 15% (up to \$750,000) of any payments made by our D&O insurers to the

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Company in connection with the settlement, to the extent such payments constitute reimbursement of amounts above and beyond covered defense costs incurred in connection with the options matters. We have entered into settlement agreements with our first and second level excess D&O insurers (our primary D&O insurer having exhausted its policy limits prior to the parties’ entry into the Stipulation of Settlement). We have not yet reached agreements with our third level excess D&O insurer or our D&O insurer providing “Side A/Difference in Conditions” coverage.

On July 24, 2006, we received a letter of informal inquiry from the SEC requesting certain documents and information relating to our historical stock option grant practices. Thereafter, in early June 2007, the SEC issued a formal order of non-public investigation, pursuant to which it subpoenaed documents from us related to the investigation, and testimony and documents from certain current and former directors, officers and employees of ours. We were recently advised by the SEC Staff in Los Angeles that they have decided to conclude this investigation without recommending any enforcement action.

In addition, we are party to other routine claims and suits brought by us and against us in the ordinary course of business, including disputes arising over the ownership of intellectual property rights, contractual claims, employment laws, regulations and relationships, and collection matters. In the opinion of management, after consultation with legal counsel, the outcome of such routine claims and lawsuits will not have a material adverse effect on our business, financial condition, results of operations, or liquidity.

17. Stock-Based Compensation and Employee Benefit Plans

Equity Incentive Plans

On July 28, 2008, our Board of Directors adopted the Activision 2008 Incentive Plan, subject to shareholder approval, and, on September 24, 2008, that plan was approved by our shareholders and became effective. It was subsequently amended by the Board of Directors (as so amended, the “2008 Plan”). The 2008 Plan authorizes the Compensation Committee of our Board of Directors to provide equity-based compensation in the form of stock options, share appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other performance- or value-based awards structured by the Compensation Committee within parameters set forth in the 2008 Plan, including custom awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of our common stock, or factors that may influence the value of our common stock or that are valued based on our performance or the performance of any of our subsidiaries or business units or other factors designated by the Compensation Committee, as well as

incentive bonuses, for the purpose of providing incentives and rewards for superior performance to the directors, officers, employees of, and consultants to, Activision Blizzard and its subsidiaries.

While the Compensation Committee has broad discretion to create equity incentives, our equity-based compensation program currently primarily utilizes a combination of options and restricted stock units. Such awards generally have time-based vesting schedules, vesting annually over periods of three to five years, or vest in their entirety on an anniversary of date of grant, subject to possible earlier vesting if certain performance measures are met, and all such awards which are options generally expire ten years from the grant date. Under the terms of the 2008 Plan, the exercise price for the options, must be equal to or greater than the closing price per share of our common stock on the date the award is granted, as reported on the NASDAQ.

Upon the effective date of the 2008 Plan, we ceased to make awards under the following equity incentive plans (collectively, the “Prior Plans”), although such plans will remain in effect and continue to govern outstanding awards: (i) Activision, Inc. 1998 Incentive Plan, as amended; (ii) Activision, Inc. 1999 Incentive Plan, as amended; (iii) Activision, Inc. 2001 Incentive Plan, as amended; (iv) Activision, Inc. 2002 Incentive Plan, as amended; (v) Activision, Inc. 2002 Executive Incentive Plan, as amended; (vi) Activision, Inc. 2002 Studio Employee Retention Incentive Plan, as amended; (vii) Activision, Inc. 2003 Incentive Plan, as amended; and (viii) Activision, Inc. 2007 Incentive Plan.

As of the date it was approved by our shareholders, there were approximately 15 million shares available for issuance under the 2008 Plan. The number of shares of our common stock reserved for issuance under the 2008 Plan may be further increased from time to time by: (i) the number of shares relating to awards outstanding under any Prior Plan that: (a) expire, or are forfeited, terminated or cancelled, without the issuance of shares; (b) are settled in cash in lieu of shares; or (c) are exchanged, prior to the issuance of shares of our common stock, for awards not involving our common stock; and (ii) if the exercise price of any option outstanding under any Prior Plan is, or the tax withholding requirements with respect to any award outstanding under any Prior Plan are, satisfied by withholding shares otherwise then

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deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares. As of September 30, 2008, we had approximately 15 million shares of our common stock reserved for future issuance under the 2008 Plan. Shares issued in connection with awards made under the 2008 Plan are generally issued as new stock issuances.

Modification of Awards through Business Combination

As a result of the reverse acquisition accounting treatment for the Business Combination, Activision, Inc. previously issued stock options and restricted stock awards granted to employees and directors, and warrants that were outstanding and unvested at the date of the Business Combination, are accounted for as an exchange of awards. The fair value of the outstanding vested and unvested awards was measured on the date of the acquisition, and for unvested awards which require service subsequent to the date of the Business Combination, a portion of the awards’ fair value has been allocated to future service and will be recognized over the remaining future requisite service period.

Restricted Stock Units and Restricted Stock

We grant restricted stock units and restricted stock (collectively referred to as “restricted stock rights”) under the 2008 Plan to employees around the world, and we have assumed as a result of the Business Combination the restricted stock rights granted by Activision, Inc. Restricted stock units entitle the holders thereof to receive shares of our common stock at the end of a specified period of time or otherwise upon a specified occurrence. Restricted stock is issued and outstanding upon grant; however, restricted stock holders are restricted from selling the shares until they vest. Upon vesting of restricted stock rights, we may withhold shares otherwise deliverable to satisfy tax withholding requirements. Restricted stock rights are subject to forfeiture and transfer restrictions. Vesting for restricted stock rights is contingent upon the holders’ continued employment with us and may be subject to other conditions. If the vesting conditions are not met, unvested restricted stock rights will be forfeited.

The following table summarizes our restricted stock rights activity for the nine months ended September 30, 2008 (amounts in thousands, except per share amount):

	Restricted Stock Rights	Weighted- Average Grant Date Fair Value
Balance as of January 1, 2008	—	\$ —
Activity for the nine months ended September 30, 2008:		
Acquired from the Business Combination	7,676	14.91
Granted	2,291	16.48
Vested	(15)	17.07
Forfeited	(9)	20.29
Balance as of September 30, 2008	<u>9,943</u>	<u>\$ 15.26</u>

As of September 30, 2008, \$70 million of total unrecognized compensation cost related to restricted stock rights is expected to be recognized over a weighted-average period of 2.14 years.

Non-Plan Employee Stock Options

In connection with prior employment agreements between Activision, Inc. and Robert A. Kotick, our Chief Executive Officer, and Brian G. Kelly, our Co-Chairman, Mr. Kotick and Mr. Kelly were previously granted options to purchase common stock of Activision, Inc. These awards were assumed as a result of the Business Combination and accounted for as an exchange for options to purchase our common stock. As of September 30, 2008, non-plan options to purchase approximately 16 million shares under such grants were outstanding with a weighted-average exercise price of \$1.02.

Performance Shares

In connection with the consummation of the Business Combination, on July 9, 2008, Mr. Kotick received a grant of 2,500,000 performance shares, which will vest in 20% increments on each of the first, second, third, and fourth anniversaries of the date of grant, with another 20% vesting on December 31, 2012, the expiration date of Mr. Kotick’s employment agreement with the Company, in each case subject to the Company attaining the specified compound annual total shareholder return target for that vesting period. If the Company does not achieve the performance target for a vesting period, no performance shares will vest for that vesting period. If, however, the Company achieves a performance target for a

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subsequent vesting period, then all of the performance shares that would have vested on the previous vesting date will vest on the vesting date where the performance targets were achieved.

The fair value of these shares was determined using a binomial lattice model which takes into consideration, among other factors, the probability of the performance targets being met. As of September 30, 2008, \$20 million of total unrecognized compensation cost related to the performance shares is expected to be recognized over a weighted-average period of approximately 5 years.

Employee Stock Purchase Plan

Effective October 1, 2005, the Board of Directors of Activision, Inc. approved the Activision, Inc. Third Amended and Restated 2002 Employee Stock Purchase Plan and the Activision, Inc. Second Amended and Restated 2002 Employee Stock Purchase Plan for International Employees (together, the "ESPP"). Under the ESPP, up to an aggregate of 4,000,000 shares of Activision, Inc. common stock may be purchased by eligible employees during two six-month offering periods that commence each April 1 and October 1 (the "Offering Period"). Common stock is purchased by the ESPP participants at a price per share generally equal to 85% of the lower of the fair market value of our common stock on the first day of the Offering Period and the fair market value of our common stock on the purchase date (the last day of the Offering Period). Employees may purchase shares having a value not exceeding 15% of their gross compensation during an Offering Period and are limited to a maximum of \$10,000 in value for any two purchases within the same calendar year. As a result of the Business Combination the offering period in effect at the time of the Business Combination was assumed by us, and on October 1, 2008, employees purchased 262,002 shares of our common stock at a purchase price of \$11.65 per share under the ESPP. The ESPP has been terminated by the Board of Directors and there will be no further purchases thereunder.

BEP

In 2006, Blizzard implemented the BEP, an equity incentive plan denominated in U.S. dollars. Under the BEP, restricted shares of Blizzard stock and other cash settled awards were granted to certain key executives and employees of Blizzard.

Under the provisions of the BEP and the Business Combination Agreement, the consummation of the Business Combination is deemed a change in control, which automatically triggered cash payments to the beneficiaries for the portion of awards that were vested at the closing date of the Business Combination. Upon closing of the Business Combination, we paid \$106 million under the BEP to employees. The determination of the value of Blizzard shares upon a change in control is equal to the transaction value under the provisions of the BEP. The outstanding non-vested rights became immediately vested upon the closing of the Business Combination, cancelled and extinguished and converted into a new right to receive an amount in cash eighteen months after the closing upon the terms and subject to the conditions set forth in the BEP and in the Business Combination Agreement, including continued employment through the payment date. As of September 30, 2008, unrecognized compensation expense under the BEP was approximately \$24 million which will be recognized over the remaining fifteen months. As of September 30, 2008, other non-current liabilities in the consolidated balance sheet includes approximately \$65 million related to this plan.

Vivendi Corporate Plan

Prior to the Business Combination, Vivendi Games had equity incentive plans that were equity-settled and cash-settled. Equity-settled awards include stock options and restricted share plans from Vivendi, and the cash-settled award includes stock appreciation rights and restricted stock units from Vivendi. There were no new grants from Vivendi during the nine months ended September 30, 2008. During the three and nine month periods ended September 30, 2008 there were no material movements within the components of equity-settled and cash-settled instruments. As of September 30, 2008 and December 31, 2007, we have recorded in our consolidated balance sheets non-current other liabilities of approximately \$10 million and approximately \$33 million, respectively, relating to the Vivendi Corporate Plan.

Stock-based Compensation Expense

The following table sets forth the total stock-based compensation expense (amounts in millions) resulting from stock options, restricted stock rights, ESPP, the BEP, and the Vivendi Corporate Plan included in our Consolidated Statements of Operations in accordance with SFAS No. 123R for the three and nine months ended September 30, 2008, and 2007:

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Cost of sales—software royalties and amortization	\$ —	\$ 1
Product development	7	34
Sales and marketing	4	6
General and administrative	15	6
Stock-based compensation expense before income taxes	26	47
Income tax benefit	(10)	(19)
Total stock-based compensation expense, net of income tax benefit	<u>\$ 16</u>	<u>\$ 28</u>

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	Three months ended September 30, 2007	Nine months ended September 30, 2007
Cost of sales—software royalties and amortization	\$ 1	\$ 1
Product development	35	55
Sales and marketing	3	5
General and administrative	3	16
Stock-based compensation expense before income taxes	42	77
Income tax benefit	(17)	(30)
Total stock-based compensation expense, net of income tax benefit	<u>\$ 25</u>	<u>\$ 47</u>

Additionally, stock option expenses are capitalized in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" as discussed in Note 1. For the three and nine months ended September 30, 2008, stock-based compensation costs in the amount of \$15 million was capitalized. The following table summarizes stock-based compensation included in our Consolidated Balance Sheets as a component of software development (amounts in millions):

	Software development
Balance as of January 1, 2008	\$ —
Stock-based compensation expense capitalized during period	15
Amortization of capitalized stock-based compensation expense	—
Balance as of September 30, 2008	<u>\$ 15</u>

Method and Assumptions on Valuation of Stock Options

Our employee stock options have features that differentiate them from exchange-traded options. These features include lack of transferability, early exercise, vesting restrictions, pre- and post-vesting termination provisions, blackout dates, and time-varying inputs. In addition, some of the options have non-traditional features, such as accelerated vesting upon the satisfaction of certain performance conditions that must be reflected in the valuation. A binomial-lattice model was selected because it is better able to explicitly address these features than closed-form models such as the Black-Scholes model, and is able to reflect expected future changes in model inputs, including changes in volatility, during the option's contractual term.

Consistent with SFAS No. 123R, we have attempted to reflect expected future changes in model inputs during the option's contractual term. The inputs required by our binomial-lattice model include expected volatility, risk-free interest rate, risk-adjusted stock return, dividend yield, contractual term, and vesting schedule, as well as measures of employees' forfeiture, exercise, and post-vesting termination behavior. Statistical methods were used to estimate employee rank-specific termination rates. These termination rates, in turn, were used to model the number of options that are expected to vest and post-vesting termination behavior. Employee rank-specific estimates of Expected Time-To-Exercise ("ETTE") were used to reflect employee exercise behavior. ETTE was estimated by using statistical procedures to first estimate the conditional probability of exercise occurring during each time period, conditional on the option surviving to that time period and then using those probabilities to estimate ETTE. The model was calibrated by adjusting parameters controlling exercise and post-vesting termination behavior so that the measures output by the model matched values of these measures that were estimated from historical data. The weighted-average estimated value of employee stock options granted during the three and nine months ended September 30, 2008 was \$6.59 per share, using the binomial-lattice model with the following weighted-average assumptions:

	Employee and director options and warrants	Employee stock purchase plan
	For three and nine months ended September 30, 2008	For three and nine months ended September 30, 2008
Expected life (in years)	5.01	0.5
Risk free interest rate	4.03%	1.53%
Volatility	50.61%	35.75%
Dividend yield	—	—
Weighted-average fair value at grant date	\$ 6.59	\$ 3.36

Upon consummation of the Business Combination described in Note 4, and in accordance with the guidance of SFAS No. 123R, the fair value of Activision, Inc.'s stock awards was determined using the fair value of Activision, Inc.'s common stock of \$15.04 per share, which is the closing price as of July 9, 2008 and a binomial-lattice model with the following assumptions: (a) varying volatility ranging from 42.38% to 51.50%, (b) a risk free interest rate of 3.97%, (c) an expected life

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ranging from approximately 3.22 years to 4.71 years, (d) risk adjusted stock return of 8.89%, and (e) an expected dividend yield of 0.0%.

To estimate volatility for the binomial-lattice model, we use methods or capabilities that are discussed in SFAS No. 123R and Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB No. 107"). These methods include the implied volatility method based upon the volatilities for exchange-traded options on our stock to estimate short-term volatility, the historical method (annualized standard deviation of the instantaneous returns on Activision Blizzard's stock) during the option's contractual term to estimate long-term volatility and a statistical model to estimate the transition or "mean reversion" from short-term volatility to long-term volatility. Based on these methods, for options granted during the three and nine months ended September 30, 2008, the expected stock price volatility ranged from 46.15% to 51.42%, with a weighted-average volatility of 50.61%.

As is the case for volatility, the risk-free rate is assumed to change during the option's contractual term. Consistent with the calculation required by a binomial lattice model, the risk-free rate reflects the interest from one time period to the next ("forward rate") as opposed to the interest rate from the grant date to the given time period ("spot rate.") Since we do not currently pay dividends and are not expected to pay them in the future, we have assumed that the dividend yield is zero.

The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is, as required by SFAS No. 123R, an output by the binomial-lattice model. The expected life of employee stock options depends on all of the underlying assumptions and calibration of our model. A binomial-lattice model can be viewed as assuming that employees will exercise their options when the stock price equals or exceeds an exercise boundary. The exercise boundary is not constant but continually declines as one approaches the option's expiration date. The exact placement of the exercise boundary depends on all of the model inputs as well as the measures that are used to calibrate the model to estimated measures of employees' exercise and termination behavior.

As stock-based compensation expense recognized in the Consolidated Statement of Operations for the three and nine months ended September 30, 2008 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

Accuracy of Fair Value Estimates

We developed the assumptions used in the binomial-lattice model, including model inputs and measures of employees' exercise and post-vesting termination behavior. Our ability to accurately estimate the fair value of share-based payment awards as of the grant date depends upon the accuracy of the model and our

ability to accurately forecast model inputs as long as ten years into the future. These inputs include, but are not limited to, expected stock price volatility, risk-free rate, dividend yield, and employee termination rates. Although the fair value of employee stock options is determined in accordance with SFAS No. 123R and SAB No. 107 using an option-pricing model, the estimates that are produced by this model may not be indicative of the fair value observed between a willing buyer/willing seller. Unfortunately, it is difficult to determine if this is the case, because markets do not currently exist that permit the active trading of employee stock option and other share-based instruments.

Stock Option Activities

We have assumed the stock options granted to employees and directors by Activision, Inc. as a result of the Business Combination. Stock option activities for the nine-months ended September 30, 2008 are as follows (amounts in millions, except number of shares in thousands and per share amounts):

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2008	—	\$ —		
Acquired via the Business Combination	96,075	5.76		
Granted	5,612	16.55		
Exercised	(3,646)	5.09		
Forfeited	(286)	4.47		
Outstanding at September 30, 2008	97,755	6.41	6.01	\$ 888,804
Vested and expected to vest at September 30, 2008	91,376	\$ 6.07	5.24	\$ 860,386
Exercisable at September 30, 2008	54,292	\$ 3.36	4.07	\$ 655,429

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The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between our closing stock price on the last trading day of the period and the exercise price, times the number of shares for options where the exercise price is below the closing stock price) that would have been received by the option holders had all option holders exercised their options on that date. This amount changes based on the fair market value of our stock. Total intrinsic value of options actually exercised was approximately \$43 million for the three and nine months ended September 30, 2008.

As of September 30, 2008, \$123 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.5 years.

Net cash proceeds from the exercise of stock options were \$19 million for the three and nine months ended September 30, 2008. Income tax benefit from stock option exercises was \$17 million for the three and nine months ended September 30, 2008, of which \$15 million and \$2 million was credited to goodwill and additional paid in capital, respectively. In accordance with SFAS No. 123R, we present excess tax benefits from the exercise of stock options, if any, as financing cash flows rather than operating cash flows.

18. Related Parties Transactions

Treasury Related Administration

Prior to the Business Combination, Vivendi maintained a centralized cash management pool from which Vivendi Games borrowed and loaned cash on a daily basis. Net cash transfers, under the cash pooling agreement, were included in owner's equity as part of net transfers to Vivendi. Vivendi charged Vivendi Games interest on the cumulative net cash transfers and such charges are included in investment income (loss), net in the accompanying consolidated statements of operations. Net interest earned from Vivendi for the three and nine months ended September 30, 2008 was \$- million and \$5 million, respectively. Net interest expense for the three and nine months ended September 30, 2007 was \$2 million and \$3 million, respectively.

In addition, in accordance with the terms of the Business Combination Agreement, Vivendi Games settled its payable to Vivendi S.A. and distributed its excess cash on hand as defined in the Business Combination Agreement immediately prior to the close of the transaction, resulting in cash payments of \$79 million to settle its payable and \$79 million to distribute its excess cash to Vivendi.

Our foreign currency risk policy seeks to reduce risks arising from foreign currency fluctuations. In connection with this, we use derivative financial instruments, primarily currency forward contracts, with Vivendi as our counterparty. As of September 30, 2008 and December 31, 2007, the net notional amount of outstanding forward foreign exchange contracts was approximately \$32 million and \$14 million, respectively. A pre-tax net unrealized gain of approximately \$3 million and \$2 million for the three and nine months ended September 30, 2008, respectively, and a pre-tax net unrealized loss of approximately \$- million and \$2 million for the three and nine months ended September 30, 2007, respectively, resulted from the foreign exchange contracts with Vivendi were recognized in the Consolidated Statement of Operations.

Others

Activision Blizzard has entered into various transactions and agreements, including treasury management services, investor agreement, internal group reporting services, credit facilities arrangement (see Note 16 for more details), and music royalties agreements with Vivendi and its subsidiaries and affiliates. None of these services, transactions and agreements with Vivendi and its subsidiaries and affiliates is material to the Consolidated Financial Statements as a whole.

19. Subsequent event

On November 5, 2008, we announced that our Board of Directors authorized a stock repurchase program under which we may repurchase up to \$1 billion of our common stock. Under this program, we may repurchase our common stock from time to time on the open market or in private transactions, including structured or accelerated transactions. We will determine the timing and amount of repurchases based on our evaluation of market conditions and other factors. The repurchase program may be suspended or discontinued by the Company at any time.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following overview is a top-level discussion of our operating results as well as some of the trends and drivers that affect our business. Management believes that an understanding of these trends and drivers is important in order to understand our results for the quarter ended and nine month period ended September 30, 2008, as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Form 10-Q, including the remainder of “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” or the Consolidated Financial Statements and related notes.

Our Business

The Activision Blizzard group of companies is a leading international publisher of interactive entertainment software and peripheral products. Through Blizzard, we are the leader in terms of subscriber base and revenues generated in the subscription-based MMOG category. Activision develops video games on various consoles, hand-held platforms and the PC platform through internally developed franchises and license agreements. Our companies currently offer our products primarily in versions that operate on the Sony PlayStation 2 (“PS2”), Sony PlayStation 3 (“PS3”), Nintendo Wii (“Wii”), and Microsoft Xbox 360 (“Xbox360”) console systems, Sony PlayStation Portable (“PSP”), and Nintendo Dual Screen (“NDS”) hand-held devices, and PCs.

Our Activision business involves the development, marketing, and sale of products directly, by license, or through our affiliate label program with certain third-party publishers. Activision’s products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music, and strategy. Activision’s target customer base ranges from casual players to game enthusiasts, and children to adults. During calendar 2008, Activision plans to release *Guitar Hero World Tour*, *Call of Duty: World at War*, and continue to expand its licensed titles such as *Madagascar: Escape 2 Africa*, *Spider-Man: Web of Shadows*, its first James Bond title, *Quantum of Solace*, and several other titles. Activision is currently in development of *Wolfenstein* from id Software, *Marvel Ultimate Alliance 2: Fusion* from Vicarious Visions, *Prototype* from Radical, and *Singularity* from Raven Software, among other titles.

Our Blizzard business involves the development, marketing, sales and support of traditional games and online subscription-based games in the MMOG category. Blizzard is headquartered in Irvine, California and is the development studio and publisher best known as the creator of *World of Warcraft* and the multi award winning *Diablo*, *StarCraft*, and *Warcraft* franchises. Blizzard distributes its products and generates revenues worldwide through various means, including: subscription revenues (which consist of fees from individuals playing *World of Warcraft*, such as prepaid-cards and other ancillary online revenues); retail sales of physical “boxed” product; and licensing revenues from third-party companies who distribute *World of Warcraft* in China and Taiwan. During calendar 2008, Blizzard plans to release *World of Warcraft Wrath of the Lich King*, the second expansion pack of *World of Warcraft*. Blizzard is currently in development of, among other games, *StarCraft II* and *Diablo*.

Our distribution business consists of operations in Europe that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Management’s Overview of Historical and Prospective Business Trends

Console hardware platforms – In 2005, Microsoft released the Xbox 360 and, in 2006, Sony and Nintendo introduced their respective hardware platforms, the PlayStation 3 and Wii. Activision’s plan is to continue to build a significant presence on the PS3, the Wii and the Xbox360 by expanding the number of titles released on these platforms and hand-held platforms while continuing to market to the PS2 platform as long as economically attractive given its large installed base.

Business combination and investments – We have engaged in, evaluated, and expect to continue to engage in and evaluate, a wide array of potential strategic transactions, including acquisitions of companies, businesses, intellectual properties, and other assets. During the three months ended September 30, 2008, we consummated our previously announced business combination (the “Business Combination”) pursuant to the Business Combination Agreement (the “Business Combination Agreement”), dated as of December 1, 2007, by and among the Company, Sego Merger Corporation, a wholly-owned subsidiary of the Company, Vivendi S.A. (“Vivendi”), VGAC LLC, a wholly-owned subsidiary of Vivendi (“VGAC”), and Vivendi Games, Inc., a wholly-owned subsidiary of VGAC, (“Vivendi Games”). Upon the closing of the Business Combination, which occurred on July 9, 2008, Activision, Inc. was renamed Activision Blizzard, Inc. (“Activision Blizzard”). Activision Blizzard continues to operate as a public company traded on the NASDAQ under the ticker symbol

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ATVI. Activision Blizzard now conducts the combined business operations of Activision, Inc. and Vivendi Games including Blizzard Entertainment, Inc. (“Blizzard”). In connection with the Business Combination, we issued approximately 717 million shares of our common stock to VGAC including 126 million shares of common stock purchased by Vivendi for approximately \$1.7 billion. Immediately following the consummation of the Business Combination, VGAC owned approximately 54% of Activision Blizzard’s issued and outstanding common stock. While Activision was the surviving entity in this Business Combination, because the transaction is treated as a “reverse acquisition,” Vivendi Games is deemed to be the acquirer for accounting purposes. Accordingly, Activision Blizzard applied purchase accounting to the assets and liabilities of Activision as of July 9, 2008. Also, for all Exchange Act filings following consummation of the Business Combination, the historical financial statements of Activision for periods prior to the consummation of the Business Combination are those of Vivendi Games. Activision, Inc. businesses are included in Activision Blizzard’s financial statements for all periods subsequent to the consummation of the Business Combination only. See Note 1 to the Consolidated Financial Statements for further information. Also, to further strengthen our development resources and underscoring our commitment to the music-based genre, on September 11, 2008, we acquired Freestyle Games, Ltd., a premier United Kingdom-based video game developer specializing in the music-based genre.

International operations – Activision focuses on the growth of the European market through developing localized contents for its Guitar Hero franchises and other franchises or titles in terms of contents and packaging. For the Asian market, Blizzard distributes *World of Warcraft* through direct operations and licenses. Blizzard licensed with The 9 to distribute *World of Warcraft* in China and with SoftWorld in Taiwan. Internet game room players and prepaid cards are also very popular in Asia, particularly in South Korea. Recently, Blizzard has licensed Blizzard Entertainment’s *StarCraft II*, *Warcraft III: Reign of Chaos*, *Warcraft III: The Frozen Throne*, and Battle.net platform to a company affiliated with NetEase.com, Inc. Blizzard and NetEase have also established a joint venture, which will provide support for the operation of the licensed games and Battle.net platform in China. For the quarter ended September 30, 2008, Blizzard released a Russian language version of *World of Warcraft* in Russia. Also, Blizzard expanded the sale of support for *World of Warcraft* into Russia and Spanish-speaking Latin America.

Integration and reorganization – Following the Business Combination on July 9, 2008, we have restructured the Vivendi Games businesses to capture cost-synergy to form the streamlined organization of Activision Blizzard. For the remainder of the year 2008 and beyond, we expect to continue to incur a restructuring expense mainly relating to severance payments to interim employees who are currently assisting us to exit our non-core operations and unused facilities. We anticipate completely exiting or winding down our non-core operations by June 2009 inclusive of organizational restructuring activities as a result of the Business

Combination. For the next nine months, we anticipate incurring between \$75 million and \$100 million of additional before tax restructuring charges, and after tax cash restructuring charges between \$45 million and \$60 million relating to the Business Combination. Overall, including charges incurred through September 30, 2008, we expect to incur cash and non-cash before tax restructuring charges between \$135 million and \$160 million by June 30, 2009 with an after tax cash impact between \$70 million and \$90 million. The after tax cash charges are expected to consist primarily of employee-related severance cash costs (approximately \$55 million), facility exit cash costs (approximately \$25 million) and cash contract terminations (approximately \$10 million). Separately, these restructuring charges are expected to be partially offset by approximately between \$30 million and \$50 million of cash proceeds from asset disposals and cash after tax benefits related to the streamlining of the Vivendi Games title portfolio.

Console online games – Activision has published games with significant online functionality that constitutes a more-than-inconsequential separate service deliverable in addition to the product, and in which our performance obligations for these titles extends beyond the sale of the game. Vendor-specific objective evidence of fair value (“VSOE”) does not exist for these online features, as we do not separately charge for this component of these titles. As a result, we recognize all of the revenue from the sale of these titles ratably over an estimated service period. In addition, we defer the costs of sales of these titles to match revenue.

MMOG online games – Blizzard will publish the second expansion pack of *World of Warcraft Wrath of the Lich King*, in multiple countries in November 2008. We expect this expansion pack will bring Blizzard new subscribers and expand Blizzard’s subscription revenues.

Impact of deferral revenues and cost of sales – We anticipate that, in calendar 2008, we will likely defer approximately \$568 million in net revenues and \$199 million in costs of sales from the sale of console and MMOG online games titles into calendar 2009. Since most of these titles are planned for release in the December quarter of calendar 2008, we expect that a majority of revenues and costs of sales for these products will be deferred in the December quarter of calendar 2008, and recognized in calendar year 2009. However, the actual amount of revenues and costs of sales deferred will vary significantly depending upon the timing of the release of these titles and the sales volume of such products.

Other revenues – Activision is continuing development of online capabilities for its games. Activision will continue to exploit other revenue sources, including downloadable content and in game advertising for its console games, such as *Guitar Hero World Tour*, and GH Tunes as one of the newly added features to the Guitar Hero franchise.

Economic conditions – We continue to monitor the recent widely reported unfavorable changes in economic conditions including the likely slowdown in consumer spending this holiday season, which may have impacts on our businesses, such as the pricing of our products, purchases by our customers, and credit quality of our receivables.

Critical Accounting Policies and Estimates

We have identified the policies below as critical to our business operations and the understanding of our financial results. The impact and any associated risks related to these policies on our business operations is discussed throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our

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reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, see Note 3 to the Notes to Consolidated Financial Statements included in Item 1. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Product sales

We recognize revenue from the sale of our products upon the transfer of title and risk of loss to our customers, and once any performance obligations have been completed. Certain products are sold to customers with a street date (the earliest date these products may be sold by retailers). For these products we recognize revenue on the later of the street date or the sale date. Revenue from product sales is recognized after deducting the estimated allowance for returns and price protection.

Some of our software products provide limited online features at no additional cost to the consumer. Generally, we consider such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, we recognize revenue related to products containing these limited online features upon the transfer of title and risk of loss to our customer. In instances where online features or additional functionality is considered a substantive deliverable in addition to the software product, we take this into account when applying our revenue recognition policy. This evaluation is performed for each software product together with any online transactions, such as electronic downloads of titles of product add-ons when it is released. When we determine that a software title contains online functionality that constitutes a more-than-inconsequential separate service deliverable in addition to the product, principally because of its importance to game play, we consider our performance obligations for this title extend beyond the sale of the game. Vendor-specific objective evidence of fair value (“VSOE”) does not exist for the online functionality, as we do not separately charge for this component of the title. As a result, we recognize all of the revenue from the sale of the title ratably over an estimated service period. In addition, we defer the costs of sales for this title to match revenues. Cost of sales includes: manufacturing costs, software royalties and amortization, and intellectual property licenses.

We recognize revenues for the massively, multiplayer, online game *World of Warcraft*, its expansion packs and other ancillary services in accordance with Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements, (“SAB No. 101”), as amended by Staff Accounting Bulletin No. 104, “Revenue Recognition” (“SAB No. 104”).

We consider the *World of Warcraft* boxed product including expansion packs and other ancillary revenues as a single deliverable with the total arrangement consideration combined and recognized ratably as revenue over the estimated customer life beginning upon activation of the software and delivery of the services. Revenues attributed to the sale of *World of Warcraft* boxed software and related expansion packs are classified as Product Sales and revenues attributable to subscription and other ancillary services are classified as subscription, licensing and other revenues.

With respect to online transactions, such as electronic downloads of titles or product add-ons that do not constitute a more-than-inconsequential separate service deliverable, revenue is recognized when the fee is paid by the online customer to purchase online content and we are notified by the online retailer that the product has been downloaded. In addition, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable.

Sales incentives or other consideration given by us to our customers is accounted for in accordance with EITF Issue 01-9, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products).” In accordance with EITF Issue 01-9, sales incentives and other consideration that are considered adjustments of the selling price of our products, such as rebates and product placement fees, are reflected as reductions to revenue. Sales incentives

and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular ad, are reflected as sales and marketing expenses.

Subscription Revenues

Subscription revenues are recognized in accordance with SAB No. 101, as amended by SAB No. 104. Subscription revenues are derived from *World of Warcraft*, a game that is playable through Blizzard's servers on a subscription-only basis. After the first month of free usage that is included with the boxed software, the *World of Warcraft* end user may enter into a subscription agreement for additional access. Subscription revenues received are deferred and recognized as subscription revenues ratably over the subscription period. Revenue from the sale of prepaid cards, sold through retail outlets and other stores, is deferred and recognized as subscription revenue ratably beginning when the cards are first activated. Revenue from Internet gaming rooms in Asia is recognized upon usage of the time packages sold. Ancillary revenues associated with subscriptions are recognized ratably over the estimated customer life.

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Licensing Revenues

Third-party licensees in China and Taiwan distribute and host Blizzard's *World of Warcraft* game in their respective countries under a license agreement with Blizzard. The licensees paid certain minimum, non-refundable, generally recoupable guaranteed royalties when entering into the licensing agreements. Upon receipt of the recoupable advances, we defer their recognition and recognize the revenues in subsequent periods as these advances are recouped by the licensees. As the licensees pay additional royalties above and beyond those initially advanced, we recognize these additional royalties as revenues based on activation of the underlying prepaid time by the end users.

With respect to license agreements that provide customers the right to make multiple copies in exchange for guaranteed amounts, revenue is recognized upon delivery of a master copy. Per copy royalties on sales that exceed the guarantee are recognized as earned. In addition, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable.

Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence

In determining the appropriate unit shipments to our customers, we benchmark our titles using historical and industry data. We closely monitor and analyze the historical performance of our various titles, the performance of products released by other publishers, and the anticipated timing of other releases in order to assess future demands of current and upcoming titles. Initial volumes shipped upon title launch and subsequent reorders are evaluated to ensure that quantities are sufficient to meet the demands from the retail markets, but at the same time are controlled to prevent excess inventory in the channel.

We may permit product returns from, or grant price protection to, our customers under certain conditions. In general, price protection refers to the circumstances when we elect to decrease the wholesale price of a product by a certain amount and, when granted and applicable, allows customers a credit against amounts owed by such customers to us with respect to open and/or future invoices. The conditions our customers must meet to be granted the right to return products or price protection are, among other things, compliance with applicable payment terms, and consistent delivery to us of inventory and sell-through reports. We may also consider other factors, including the facilitation of slow-moving inventory and other market factors. Management must make estimates of potential future product returns and price protection related to current period product revenue. We estimate the amount of future returns and price protection for current period product revenue utilizing historical experience and information regarding inventory levels and the demand and acceptance of our products by the end consumer. The following factors are used to estimate the amount of future returns and price protection for a particular title: historical performance of titles in similar genres; historical performance of the hardware platform; historical performance of the brand; console hardware life cycle; Activision Blizzard sales force and retail customer feedback; industry pricing; weeks of on-hand retail channel inventory; absolute quantity of on-hand retail channel inventory; our warehouse on-hand inventory levels; the title's recent sell-through history (if available); marketing trade programs; and competing titles. The relative importance of these factors varies among titles depending upon, among other items, genre, platform, seasonality, and sales strategy. Significant management judgments and estimates must be made and used in connection with establishing the allowance for returns and price protection in any accounting period. Based upon historical experience we believe our estimates are reasonable. However, actual returns and price protection could vary materially from our allowance estimates due to a number of reasons including, among others, a lack of consumer acceptance of a title, the release in the same period of a similarly themed title by a competitor, or technological obsolescence due to the emergence of new hardware platforms. Material differences may result in the amount and timing of our revenue for any period if factors or market conditions change or if management makes different judgments or utilizes different estimates in determining the allowances for returns and price protection. For example, a 1% change in our September 30, 2008 allowance for returns and price protection would impact net revenues by \$2 million.

Similarly, management must make estimates of the uncollectibility of our accounts receivable. In estimating the allowance for doubtful accounts, we analyze the age of current outstanding account balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends, and changes in our customers' payment terms and their economic condition, as well as whether we can obtain sufficient credit insurance. Any significant changes in any of these criteria would affect management's estimates in establishing our allowance for doubtful accounts.

We value inventory at the lower of cost or market. We regularly review inventory quantities on hand and in the retail channel and record a provision for excess or obsolete inventory based on the future expected demand for our products. Significant changes in demand for our products would impact management's estimates in establishing our inventory provision.

Software Development Costs and Intellectual Property Licenses

Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed products.

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We account for software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". ("SFAS No. 86") Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses both technical design documentation and game design documentation. Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a product-by-product basis. Prior

to a product's release, we expense, as part of "cost of sales—software royalties and amortization," capitalized costs when we believe such amounts are not recoverable. Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Amounts related to software development which are not capitalized are charged immediately to product development expense.

Commencing upon product release, capitalized software development costs are amortized to "cost of sales—software royalties and amortization" based on the ratio of current revenues to total projected revenues for the specific product, generally resulting in an amortization period of six months or less.

Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, music or other intellectual property or proprietary rights in the development of our products. Depending upon the agreement with the rights holder, we may obtain the rights to use acquired intellectual property in multiple products over multiple years, or alternatively, for a single product. Prior to the related product's release, we expense, as part of "cost of sales—intellectual property licenses," capitalized intellectual property costs when we believe such amounts are not recoverable. Capitalized intellectual property costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation.

Commencing upon the related product's release, capitalized intellectual property license costs are amortized to "cost of sales—intellectual property licenses" based on the ratio of current revenues for the specific product to total projected revenues for all products in which the licensed property will be utilized. As intellectual property license contracts may extend for multiple years, the amortization of capitalized intellectual property license costs relating to such contracts may extend beyond one year.

We evaluate the future recoverability of capitalized software development costs and intellectual property licenses on a quarterly basis. For products that have been released in prior periods, the primary evaluation criterion is actual title performance. For products that are scheduled to be released in future periods, the recoverability of capitalized software development costs is evaluated based on the expected performance of the specific products to which the costs relate or in which the licensed trademark or copyright is to be used. Criteria used to evaluate expected product performance include: historical performance of comparable products developed with comparable technology; orders for the product prior to its release; and for any sequel product, estimated performance based on the performance of the product on which the sequel is based. As many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors, such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property, and the rights holder's continued promotion and exploitation of the intellectual property.

Significant management judgments and estimates are utilized in the assessment of the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than, and/or revised forecasted or actual costs are greater than, the original forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Additionally, as noted above, as many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property and the rights holder's continued promotion and exploitation of the intellectual property. Material differences may result in the amount and timing of charges for any period if management makes different judgments or utilizes different estimates in evaluating these qualitative factors.

Amortizable Intangible Assets

Intangible assets subject to amortization are carried at cost less accumulated amortization. Amortizable intangible assets consist of internally developed franchises, acquired developed software, acquired game engines, favorable leases and

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distribution agreements, and other intangibles related primarily to licensing activities and retail customer relationships. Intangible assets subject to amortization are amortized over the estimated useful life in proportion to the pattern in which the economic benefits are consumed, which for some intangibles assets are approximated by using the straight-line method. Long-lived assets including amortizable intangible assets are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and amortizable intangible assets is based on the amount by which the carrying value exceeds the fair value of the asset.

Stock-based Compensation Expense

We account for stock-based compensation in accordance with SFAS No. 123R. SFAS No. 123R requires companies to estimate the fair value of share-based payment awards on the measurement date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statement of Operations (see Note 17 to the Consolidated Financial Statements for additional information.)

We estimate the value of employee stock options on the date of grant using a binomial-lattice model. The fair value of a share-based payment as of the grant date estimated by an option pricing model depends upon our future stock price as well as assumptions concerning expected volatility, risk-free interest rate, and risk-adjusted stock return, as well as measures of employees' forfeiture, exercise, and post-vesting termination behavior. Statistical methods were used to estimate employee type specific termination rates. These termination rates, in turn, were used to model the number of options that are expected to vest and post-vesting termination behavior. Employee type specific estimates of ETTE were used to reflect employee exercise behavior. ETTE was estimated by using statistical procedures to first estimate the conditional probability of exercise occurring during each time period, conditional on the option surviving to that time period. These probabilities were then used to estimate ETTE. The model was calibrated by adjusting parameters controlling exercise and post-vesting termination behavior so that the measures output by the model matched values of these measures that were estimated from historical data. The weighted-average estimated value of employee stock options granted during the three months ended September 30, 2008 was \$6.59 per share using the binomial-lattice model with the following weighted-average assumptions:

	Three months ended September 30, 2008
Expected volatility	50.61%
Risk-free interest rate	4.03%
Expected dividends	—

To estimate volatility for the binomial-lattice model, we use methods or capabilities that are discussed in SFAS No. 123R and SAB No. 107. These methods included the implied volatility method based upon the volatilities for exchange-traded options on our stock to estimate short-term volatility, the historical method (annualized standard deviation of the instantaneous returns on Activision Blizzard's stock) during the option's contractual term to estimate long-term volatility and a statistical model to estimate the transition or "mean reversion" from short-term volatility to long-term volatility. Based on these methods, for options granted during the three months ended September 30, 2008, the expected stock price volatility ranged from 46.15% to 51.42%, with a weighted-average volatility of 50.61% for options granted during the quarter ended September 30, 2008.

As was the case for volatility, the risk-free rate is assumed to change during the option's contractual period. As required by a binomial-lattice model, the risk-free rate reflects the interest from one time period to the next ("forward rate") as opposed to the interest rate from the grant date to the given time period ("spot rate"). Since we do not currently pay dividends and do not currently expect to pay them in the future, we have assumed that the dividend yield is zero.

The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is, as required by SFAS No. 123R, output by the binomial-lattice model. The expected life of employee stock options depends on all of the underlying assumptions and calibration of our model. The binomial-lattice model assumes that employees will exercise options when the stock price equals or exceeds an exercise boundary. The exercise boundary is not constant but continually declines as one approaches the option's expiration date. The exact placement of the exercise boundary depends on all of the model inputs as well as the measures that were used to calibrate the model to estimated measures of employees' exercise and termination behavior.

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Stock-based compensation expense recognized in the Consolidated Statement of Operations is based on awards ultimately expected to vest and has been reduced for estimated forfeitures. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and we employ different assumptions in the application of SFAS No. 123R in future periods, the compensation expense that we record under SFAS No. 123R may differ significantly from what we have recorded in the current period.

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Selected Consolidated Statements of Operations Data

The following table sets forth certain Consolidated Statements of Operations data for the periods indicated as a percentage of total net revenues and also breaks down net revenues by territory, and platform, (amounts in millions):

	Three months ended September 30,				Nine months ended September 30,			
	2008		2007		2008		2007	
Net Revenues:								
Product sales	\$ 413	58%	\$ 98	30%	\$ 553	40%	\$ 246	27%
Subscription, licensing, and other revenues	298	42	228	70	834	60	650	73
Total net revenues	711	100	326	100	1,387	100	896	100
Costs and expenses:								
Cost of sales – product costs	279	39	31	9	350	25	95	10
Cost of sales – software royalties and amortization	50	7	5	2	88	6	14	2
Cost of sales – intellectual property licenses	36	5	1	—	45	3	5	1
Cost of sales – MMOG	43	6	40	12	123	9	146	16
Product development	200	28	117	36	414	30	327	36
Sales and marketing	142	20	46	14	220	16	105	12
Restructuring costs	61	9	—	—	61	4	(1)	—
General and administrative	94	13	29	9	172	13	71	8
Total costs and expenses	905	127	269	82	1,473	106	762	85
Operating income (loss)	(194)	(27)	57	18	(86)	(6)	134	15
Investment income (loss), net	24	3	(2)	(1)	28	2	(5)	(1)
Income before income tax provision (benefit)	(170)	(24)	55	17	(58)	(4)	129	14
Income tax provision (benefit)	(62)	(9)	7	2	(22)	(1)	(12)	(2)
Net income (loss)	\$ (108)	(15)%	\$ 48	15%	\$ (36)	(3)%	\$ 141	16%
Net Revenues by Territory:								
North America	\$ 295	41%	\$ 147	45%	\$ 591	43%	\$ 422	47%
Europe	348	49	122	37	627	45	374	42
Asia Pacific	62	9	54	17	153	11	91	10
Total territory net revenues	705	99	323	99	1,371	99	887	99

Activision Blizzard's non-core exit operations	6	1	3	1	16	1	9	1
Total net revenues	\$ 711	100%	\$ 326	100%	\$ 1,387	100%	\$ 896	100%
Net Revenues by Platform Mix:								
MMOG	\$ 271	38%	\$ 269	83%	\$ 828	60%	\$ 746	84%
Console	272	38	16	5	335	24	53	6
Hand-held	81	11	7	2	102	7	21	2
PC	25	4	31	9	50	4	67	7
Total platform net revenues	649	91	323	99	1,315	95	887	99
Distribution:								
Software	39	6	—	—	39	3	—	—
Hardware and peripherals	16	2	—	—	16	1	—	—
Other	1	—	—	—	1	0	—	—
Total distribution net revenues	56	8	—	—	56	4	—	—
Activision Blizzard's non-core exit operations	6	1	3	1	16	1	9	1
Total net revenues	\$ 711	100%	\$ 326	100%	\$ 1,387	100%	\$ 896	100%

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Third quarter highlights

Operating highlights (amounts in millions)

	Three months ended September 30,			Nine months ended September 30,		
	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Net revenues:						
Activision	\$ 364	\$ 43	\$ 321	\$ 457	\$ 108	\$ 349
Blizzard	297	249	48	866	856	10
Distribution	56	—	56	56	—	56
Activision Blizzard's core operations	717	292	425	1,379	964	415
Activision Blizzard's non-core exit operations	6	3	3	16	9	7
Reportable segments total	\$ 723	\$ 295	\$ 428	\$ 1,395	\$ 973	\$ 422
Reconciliation to consolidated net revenues:						
Net effect from deferral net revenues	(12)	31		(8)	(77)	
Consolidated net revenues	\$ 711	\$ 326		\$ 1,387	\$ 896	
Segment income (loss) from operations:						
Activision	\$ (26)	\$ (19)	\$ (7)	\$ (61)	\$ (79)	\$ 18
Blizzard	146	132	14	447	447	—
Distribution	2	—	2	3	—	3
Activision Blizzard's core operations	122	113	9	389	368	21
Activision Blizzard's non-core exit operations	(110)	(40)	(70)	(251)	(86)	(165)
Reportable segments total	\$ 12	\$ 73	(61)	\$ 138	\$ 282	(144)
Reconciliation to consolidated operating income (loss):						
Net effect from deferral of net revenues and costs of sales	(12)	28		(7)	(67)	
Stock-based compensation expenses	(26)	(43)		(47)	(77)	
Restructuring expenses	(61)	—		(61)	(1)	
Amortization of intangible assets and purchase price accounting related adjustments	(90)	(1)		(92)	(3)	
Integration and restructuring costs	(17)	—		(17)	—	
Total consolidated operating income (loss)	\$ (194)	\$ 57		\$ (86)	\$ 134	

Total reportable segments net revenues increased by \$428 million and \$422 million for the three and nine months ended September 30, 2008, respectively, when compared to the same periods ended September 30, 2007. The increase was mainly attributable to:

- The consummation of the Business Combination, which resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- The current quarter release of an affiliated LucasArts' title, *Star Wars: The Force Unleashed*, in Europe and Asia Pacific, *The Mummy: Tomb of the Dragon of the Emperor*, and several other value Wii titles releases such as *Little League World Series Baseball 2008*, *Ferrari Challenge Trofeo Pirelli*, and *Rapala Fishing Frenzy*;
- The first six months of calendar 2008 releases of *Spiderwick* and *The Bourne Conspiracy* versus no new releases for the same periods of calendar 2007;

- Activision's catalog sales of *Guitar Hero III: Legends of Rock*, *Guitar Hero: Aerosmith*, *Guitar Hero: On Tour*, *Call of Duty: Modern Warfare* and *Kung Fu Panda* contributed the majority of Activision net revenues for the three months ended September 30, 2008;
- The worldwide number of *World of Warcraft* subscribers increased, which is mainly attributable to the release of the first expansion pack of *World of Warcraft The Burning Crusade* in January 2007 which also led to the higher box sales of *World of Warcraft*, and additional value added services by Blizzard; and
- International net revenues were impacted by a year over year weakening of the U.S. Dollar in relation to GBP, EUR and AUD. We estimate that foreign exchange rates increased reported consolidated net revenues by approximately \$4 million and \$9 million for the three and nine months ended September 30, 2008, respectively.

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For the three and nine months ended September 30, 2007 (which was prior to consummation of the Business Combination), Activision, Inc.'s revenues from its Publishing segment were \$254 million and \$892 million, respectively, and Vivendi Games' revenues from what is now the Company's Activision segment were \$43 million and \$108 million, respectively. For the three and nine months ended September 30, 2008, the Company's Activision segment reported revenues of \$364 million, which does not include \$35 million of revenues recorded by Activision Inc.'s Publishing segment during the period from July 1, 2008 until consummation of the Business Combination of July 9, 2008 and \$1,092 million for the six months ended June 30, 2008. The year-over-year increase in revenue was primarily due to the increased number of skus for Guitar Hero franchises, and the success of *Call of Duty: Modern Warfare*.

For the three and nine months ended September 30, 2007 (which was prior to consummation of the Business Combination), Activision, Inc.'s revenues from its Distribution segment were \$64 million and \$234 million, respectively. For the three and nine months ended September 30, 2008, the Company's Distribution segment reported revenues of \$56 million, which does not include \$18 million of revenues recorded by Activision Inc.'s Distribution segment during the period from July 1, 2008 until consummation of the Business Combination of July 9, 2008 and \$165 million for the six months ended June 30, 2008. The slight increase year-over-year was mainly attributable to a year over year weakening of the U.S. Dollar in relation to Euros. The increase in Activision net revenue contributed to the increase, partially offset by approximately \$2 million due to foreign exchange rates.

Total segment operating income for the three and nine months ended September 30, 2008 were driven by the following:

- The increase in net revenues of Activision Blizzard's core operations as previously noted; and
- The consummation of the Business Combination, which resulted in operating income (losses) from Activision, Inc. being included from the date of the Business Combination but not for prior periods.

Partially offset by

- The segment operating losses from Activision Blizzard's non-core exit operations that the Company has begun to exit or wind down; and
- Write off of capitalized software development costs of totaling \$61 million and \$71 million for the three and nine months ended September 30, 2008, respectively, as a result of the rationalization of our title portfolio.

Cash Flow Highlights (amounts in millions)

	<u>For the nine months ended September 30, 2008</u>	<u>For the nine months ended September 30, 2007</u>	<u>Increase/ (Decrease)</u>
Cash flows provided by operating activities	\$ 125	\$ 308	\$ (183)
Cash flows provided by (used in) investing activities	1,078	(45)	1,123
Cash flows provided by (used in) financing activities	1,607	(294)	1,901

For the nine months ended September 30, 2008, the following major cash activities occurred:

- Activision, Inc. cash and cash equivalents of approximately \$1.1 billion was transferred to Activision Blizzard upon the Business Combination;
- Upon the Business Combination, Vivendi purchased 126 million shares of our common stock for \$1.7 billion, and as specified in the Business Combination Agreement, Activision Blizzard returned capital to Vivendi of approximately \$79 million and settled balances with Vivendi of approximately \$79 million in the financing activities;
- We have received net proceeds from exercises of stock options and ESPP amounting to \$19 million during the current quarter; and
- We have paid the participants in the BEP \$106 million as a result of the Business Combination.

On November 5, 2008, we announced that our Board of Directors authorized a stock repurchase program under which we may repurchase up to \$1 billion of our common stock. Under this program, we may repurchase our common stock from time

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to time on the open market or in private transactions, including structured or accelerated transactions. We will determine the timing and amount of repurchases based on our evaluation of market conditions and other factors. The repurchase program may be suspended or discontinued by the Company at any time.

Results of Operations – Three and Nine Months Ended September 30, 2008 and 2007

Special Note - The consummation of the Business Combination has resulted in financial information of Activision, Inc. being included from the date of the Business Combination (i.e. from July 9, 2008 onwards) but not for prior periods.

Net Revenues

We primarily derive revenue from sales of packaged interactive software games designed for play on video game consoles (such as the PS3, PS2, Xbox360, and Wii), PCs, and hand-held game devices (such as the NDS, and PSP) as well as from subscriptions revenues (which consists of fees from individuals playing *World of Warcraft*, and other ancillary online revenues). We also derive revenue from our distribution business in Europe, which provides logistical and sales services to third-party publishers of interactive entertainment software, to our own publishing operations, and to third-party manufacturers of interactive entertainment hardware. The following table shows the three months segments total net revenues (amounts in millions):

	Three months ended September 30,		
	2008	2007	Increase/ (Decrease)
Activision	\$ 364	\$ 43	\$ 321
Blizzard	297	249	48
Distribution	56	—	56
Activision Blizzard's core operations	717	292	425
Activision Blizzard's non-core exit operations	6	3	3
Reportable segments total	\$ 723	\$ 295	\$ 428
Reconciliation to consolidated net revenues:			
Net effect from deferral net revenues	(12)	31	
Consolidated net revenues	\$ 711	\$ 326	

Segments total net revenues for the three months ended September 30, 2008 increased by \$428 million. The increase was primarily due to:

- The consummation of the Business Combination, which resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- Increase in subscription and licensing revenues as a result of the increased number of *World of Warcraft* subscribers, and additional value-added services; and
- Current quarter release of an affiliated LucasArts' title, *Star Wars: The Force Unleashed*, in Europe and Asia Pacific, the release of *The Mummy: Tomb of the Dragon Emperor*, several other value Wii title releases, such as *Little League World Series Baseball 2008*, *Ferrari Challenge Trofeo Pirelli*, and *Rapala Fishing Frenzy*, and also the continued momentum of Activision's catalog sales of *Guitar Hero III: Legends of Rock*, *Guitar Hero: Aerosmith*, *Guitar Hero: On Tour*, *Call of Duty: Modern Warfare* and *Kung Fu Panda* which contributed to the current quarter product sales.

The following table shows the nine months segments total net revenues (amounts in millions):

	Nine months ended September 30,		
	2008	2007	Increase/ (Decrease)
Activision	\$ 457	\$ 108	\$ 349
Blizzard	866	856	10
Distribution	56	—	56
Activision Blizzard's core operations	1,379	964	415
Activision Blizzard's non-core exit operations	16	9	7
Reportable segments total	\$ 1,395	\$ 973	\$ 422
Reconciliation to consolidated net revenues:			
Net effect from deferral net revenues	(8)	(77)	
Consolidated net revenues	\$ 1,387	\$ 896	

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Segment total net revenues for the nine months ended September 30, 2008 increased by \$422 million as compared to the same period of prior year. The increase was mainly due to:

- The consummation of the Business Combination, which resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- An increase in product sales from the catalog sales of *Guitar Hero III: Legends of Rock*, *Guitar Hero: Aerosmith*, *Guitar Hero: On Tour*, *Call of Duty: Modern Warfare*, and *Kung Fu Panda*. *Spiderwick* and *The Bourne Conspiracy* also contributed to the product sales for the nine months ended September 30, 2008. This compares to the first nine months of 2007 when product sales were primarily from the "boxed" sales of *World of Warcraft* and *World of Warcraft The Burning Crusade*, as well as sales from the back catalog franchise of *F.E.A.R.*, and initial sales of the action-strategy game *World in Conflict*; and
- Increase in subscription and licensing revenues due to increase in the number of *World of Warcraft* subscribers, and additional value added services.

The following table details our consolidated net revenues by territory for the three months ended September 30, 2008 and 2007 (amounts in millions):

	Three months ended September 30,		Increase/ (Decrease)
	2008	2007	
Territory net revenues			

North America	\$	295	\$	147	\$	148
Europe		292		122		170
Asia Pacific		62		54		8
Total Territory net revenues		649		323		326
Distribution net revenues		56		—		56
Activision Blizzard's non-core exit operations		6		3		3
Consolidated net revenues	\$	711	\$	326	\$	385

Geographically, all regions recorded an increase in net revenues as compared to the same period of prior year. The increase was primarily attributable to the following:

- The consummation of the Business Combination, which resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- Back catalog sales of *Guitar Hero III: Legends of Rock*, *Guitar Hero: Aerosmith*, *Guitar Hero: On Tour*, *Call of Duty: Modern Warfare* and *Kung Fu Panda*;
- The release of an affiliated LucasArts' title, *Star Wars: The Force Unleashed* in the current quarter in Europe and Asia Pacific; and
- Increase in the number of *World of Warcraft* subscribers, and additional value added services.

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The following table details our consolidated net revenues by territory for the nine months ended September 30, 2008 and 2007 (amounts in millions):

	Nine months ended September 30,		Increase/ (Decrease)			
	2008	2007				
Territory net revenues						
North America	\$	591	\$	422	\$	169
Europe		571		374		197
Asia Pacific		153		91		62
Total Territory net revenues		1,315		887		428
Distribution net revenues		56		—		56
Activision Blizzard's non-core exit operations		16		9		7
Consolidated net revenues	\$	1,387	\$	896	\$	491

Geographically, all regions recorded an increase in net revenues as compared to the same period of prior year. The increase was primarily attributable to the following:

- The consummation of the Business Combination, which resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- Back catalog sales of *Guitar Hero III: Legends of Rock*, *Guitar Hero: Aerosmith*, *Guitar Hero: On Tour*, *Call of Duty: Modern Warfare* and *Kung Fu Panda*; and
- The full nine months net revenues in China since the release of the first expansion pack of *World of Warcraft The Burning Crusade* in September 2007, and the release of *Battlechest* which is a bundle package of original *World of Warcraft* and *World of Warcraft The Burning Crusade* in October 2007.

This compared to the first nine months ended September 30, 2007 when net revenues were driven by the higher performance of *World of Warcraft*, including the impact of *The Burning Crusade* launch in the first quarter of 2007 in North America and Europe, and in the third quarter of 2007 in Asia Pacific.

Net Revenues by Platform

The following table details our net revenues by platform and as a percentage of total platform net revenues for the three months ended September 30, 2008 and 2007 (amounts in millions):

	Three months ended September 30, 2008	% of total platform net revs.	Three months ended September 30, 2007	% of total platform net revs.	Increase/ (Decrease)			
Platform net revenues								
MMOG	\$	271	42%	\$	269	83%	\$	2
PC		25	4%		31	10%		(6)
Console								
Sony PlayStation 3		60	9%		1	0%		59
Sony PlayStation 2		57	9%		12	4%		45
Microsoft Xbox360		72	11%		1	0%		71
Nintendo Wii		83	13%		2	1%		81
Total Console		272	42%		16	5%		256
Hand-held		81	12%		7	2%		74

Total Platform net revenues	649	100%	323	100%	326
Distribution	56		—		56
Activision Blizzard's non-core exit operations	6		3		3
Total consolidated net revenues	<u>\$ 711</u>		<u>\$ 326</u>		<u>\$ 385</u>

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Net revenues from MMOG increased mainly due to the increase in *World of Warcraft* subscribers, and additional value added services when compared to the same period of prior year.

Net revenues from various consoles and hand-held platforms increased when compared to the same period of prior year due to the growing installed base for the hardware platforms (in particular, the Wii, PS3 and Xbox360) and increased number of titles and skus available from Activision as compared to the titles and skus released by Vivendi Games. The consummation of the Business Combination resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods. Specifically, according to the NPD Group, Gfk and Chartrack, for the quarter ended September 30, 2008, and measured by dollars of net revenues:

- Activision was the #1 Third Party publisher on the Wii worldwide;
- *Guitar Hero: On Tour* continues to be the #1 title on the NDS hand-held platform worldwide, and Activision continues to be the #2 Third Party publisher on the NDS hand-held platform; and
- Activision was the #2 Third Party publisher for the PS3 and PS2 worldwide.

Overall, Activision was the #3 US console, hand-held platforms and PC publisher for the quarter ended September 30, 2008.

The following table details our net revenues by platform and as a percentage of total platform net revenues for the nine months ended September 30, 2008 and 2007 (amounts in millions):

	Nine months ended September 30, 2008	% of total platform net revs.	Nine months ended September 30, 2007	% of total platform net revs.	Increase/ (Decrease)
Platform net revenues					
MMOG	\$ 828	63%	\$ 746	84%	\$ 82
PC	50	4%	67	8%	(17)
Console					
Sony PlayStation 3	77	6%	12	1%	65
Sony PlayStation 2	80	6%	30	3%	50
Microsoft Xbox360	88	6%	6	1%	82
Nintendo Wii	90	7%	5	1%	85
Total console	335	25%	53	6%	282
Hand-held	102	8%	21	2%	81
Total Platform net revenues	1,315	100%	887	100%	428
Distribution	56		—		56
Activision Blizzard's non-core exit operations	16		9		7
Total consolidated net revenues	<u>\$ 1,387</u>		<u>\$ 896</u>		<u>\$ 491</u>

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Net revenues from MMOG increased mainly due to the increase in *World of Warcraft* subscribers, and additional value added services when compared to the same period of prior year.

Net revenues from various consoles and hand-held platforms increased when compared to the same period of prior year due to the growing installed base for the hardware platforms (in particular, the Wii, the PS3 and the Xbox360) and increased number of titles and skus available from Activision Blizzard as compared to the number of titles and skus released by Vivendi Games. The increase was contributed by the sales of *The Bourne Conspiracy*, *Spiderwick*, *Crash of the Titans* and *Spyro the Eternal Night* for the nine months ended September 30, 2008 versus primarily F.E.A.R. on the PS3 and back catalog sales in the same period of 2007. The consummation of the Business Combination resulted in revenues from Activision, Inc. being included from the date of the Business Combination but not for prior periods. Further, according to the NPD Group, Gfk and Chartrack, for the nine months ended September 30, 2008, and measured by dollars of net revenues:

- Activision was #1 Third Party publisher on the Wii with *Guitar Hero III: Legends of Rock* which continued to be the #1 Third Party Wii title; and
- *Call of Duty: Modern Warfare* is the #3 title for the Xbox 360, and *Guitar Hero III: Legends of Rock* is the #5 title for the Xbox 360.

Cost of Sales

The following table details our nature of cost of sales and as a percentage of total consolidated net revenues for the three months ended September 30, 2008 and 2007 (amounts in millions):

	Three months ended September 30, 2008	% of consolidated net revenues	Three months ended September 30, 2007	% of consolidated net revenues	Increase/ (Decrease)
Product costs	\$ 279	39%	\$ 31	9%	\$ 248
Software royalties and amortization	50	7%	5	2%	45
Intellectual property licenses	36	5%	1	0%	35
MMOG	43	6%	40	12%	3

For the three months ended September 30, 2008, cost of sales increased primarily due to:

- The consummation of the Business Combination, which resulted in cost of sales from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- The amount of amortization of intangible assets and other purchase price accounting related adjustments of \$8 million, \$24 million and \$22 million included in cost of sales – product costs, cost of sales – software royalties and amortization, and cost of sales – intellectual property licenses, respectively;
- Higher product costs of the release of an affiliated LucasArt's title *Star Wars: The Force Unleashed* in Europe and Asia Pacific in the current quarter and catalog title *Lego: Indiana Jones the Original Adventures*; and
- Cost of sales from our back catalog titles included in the current quarter since the Business Combination.

The following table details our nature of cost of sales and as a percentage of total consolidated net revenues for the nine months ended September 30, 2008 and 2007 (amounts in millions):

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	Nine months ended September 30, 2008	% of consolidated net revenues	Nine months ended September 30, 2007	% of consolidated net revenues	Increase/ (Decrease)
Product costs	\$ 350	25%	\$ 95	10%	\$ 255
Software royalties and amortization	88	6%	14	2%	74
Intellectual property licenses	45	3%	5	1%	40
MMOG	123	9%	146	16%	(23)

For the nine months ended September 30, 2008, cost of sales increased primarily due to:

- The consummation of the Business Combination, which resulted in cost of sales from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- Amortization of intangible assets and other purchase price accounting related adjustments of \$8 million, \$26 million, and \$22 million included in cost of sales – product costs, cost of sales – software royalties and amortization, and cost of sales – intellectual property licenses, respectively;
- Higher product costs of the release of an affiliated LucasArt's title *Star Wars: The Force Unleashed* in Europe and Asia Pacific in the current quarter and catalog title *Lego: Indiana Jones the Original Adventures*;
- Cost of sales from our back catalog titles included in the current quarter upon the Business Combination;
- Higher royalties expenses for released titles during the nine months ended September 30, 2008, such as *The Bourne Conspiracy*; and
- Pre-release impairments on certain Vivendi Games' titles of approximately \$12 million.

Product Development (amounts in millions)

	September 30, 2008	% of Activision & Blizzard net revenues	September 30, 2007	% of Activision & Blizzard net revenues	Increase/ (Decrease)
Three months ended	\$ 200	31%	\$ 117	36%	\$ 83
Nine months ended	414	31%	327	37%	87

For the three and nine months ended September 30, 2008, product development costs increased as compared to the same periods of prior year. The increase was primarily attributable to the following:

- The consummation of the Business Combination, which resulted in product development expenses from Activision, Inc. being included from the date of the Business Combination but not for prior periods;

- Write-off of capitalized software development costs of canceled titles totaled \$61 million and \$71 million for the three and nine months ended September 30, 2008 as a result of the rationalization of our title portfolio; and
- Continuous product development investment for the slate of future titles.

Sales and Marketing (amounts in millions)

	September 30, 2008	% of consolidated net revenues	September 30, 2007	% of consolidated net revenues	Increase/ (Decrease)
Three months ended	\$ 142	20%	\$ 46	14%	\$ 96
Nine months ended	220	16%	105	12%	115

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For the three and nine months ended September 30, 2008, sales and marketing increased when compared to the same periods of prior year. The increase in sales and marketing was mainly the result of:

- The consummation of the Business Combination, which resulted in sales and marketing from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- Amortization of intangible assets of \$36 million for the three and nine months ended September 30, 2008 relating to retail customer relationships; and
- Marketing expenses spent on the releases of *The Bourne Conspiracy*, *The Mummy*, and *Spiderwick* during the first nine months of 2008 versus no new titles released in the same period of 2007.

The increased spending on these current year titles releases was partially offset by lower sales and marketing expenses in Blizzard which were slightly lower during 2008 as compared to 2007 due to the release of *World of Warcraft The Burning Crusade* in January 2007.

Restructuring Charges (amounts in millions)

	September 30, 2008	% of consolidated net revenues	September 30, 2007	% of consolidated net revenues	Increase/ (Decrease)
Three months ended	\$ 61	9%	—	0%	\$ 61
Nine months ended	61	4%	(1)	0%	62

We have implemented an organizational restructuring as a result of the Business Combination in the September quarter of calendar 2008. This organizational restructuring is to integrate different operations to create the streamlined organization of Activision Blizzard. The implementation of the organizational restructuring caused certain staff, related premises and equipment assets to become redundant and have been expensed. We also communicated to the redundant employees and ceased use of certain offices under operating lease contracts. For the current quarter, the majority of the restructuring activities were focused on North America employees and facilities. Impairment of goodwill and other intangibles and write-offs of prepaid royalties and intellectual licenses were also recorded as a result. We anticipate completely exiting or winding down our non-core operations by June 2009 inclusive of the organizational restructuring activities as a result of the Business Combination. For the next nine months, we anticipate incurring between \$75 million and \$100 million of additional before tax restructuring charges, and after tax cash restructuring charges between \$45 million and \$60 million relating to the Business Combination. Overall, including charges incurred through September 30, 2008, we expect to incur cash and non-cash before tax restructuring charges between \$135 million and \$160 million by June 30, 2009, with an after tax cash impact between \$70 million and \$90 million. The after tax cash charges are expected to consist primarily of employee-related severance cash costs (approximately \$55 million), facility exit cash costs (approximately \$25 million) and cash contract terminations (approximately \$10 million). Separately, these restructuring charges are expected to be partially offset by approximately between \$30 million and \$50 million of cash proceeds from asset disposals and cash after tax benefits related to the streamlining of the Vivendi Games title portfolio (See Note 10 of the Consolidated Financial Statements for more detail).

General and Administrative (amounts in millions)

	September 30, 2008	% of consolidated net revenues	September 30, 2007	% of consolidated net revenues	Increase/ (Decrease)
Three Months Ended	\$ 94	13%	\$ 29	9%	\$ 65
Nine Months Ended	172	13%	71	8%	101

For the three and nine months ended September 30, 2008, general and administrative costs increased in absolute amount and as percentage of consolidated net revenues. The increase was mainly attributable to:

- The consummation of the Business Combination, which resulted in general and administrative expenses from Activision, Inc. being included from the date of the Business Combination but not for prior periods;
- Integration and reorganization expenses incurred relating to the Business Combination;
- Stock option expenses totaled \$15 million for the current quarter of grants to general and administrative employees;
- Increased legal fees; and

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· Increased salary and benefit costs.

The increase is partially offset by approximately \$7 million and \$23 million for the three and nine months ended September 30, 2008, respectively, credit on stock-based compensation, resulting from a lower fair value for the cash-settled awards based on Vivendi's stock price.

Investment Income (Loss), Net (amounts in millions)

	September 30, 2008	% of Consolidated net revenues	September 30, 2007	% of Consolidated net revenues	Increase/ (Decrease)
Three months ended	\$ 24	3%	\$ (2)	(1)%	\$ 26
Nine months ended	28	2%	(5)	(1)%	33

Our investment portfolio, comprised primarily of cash and cash equivalents, is approximately \$3 billion as of September 30, 2008. Investment income for the three and nine months ended September 30, 2008 were primarily derived from the interest income from investment in money market funds, mark-to-market gains on our outstanding currency forward contracts, and other investment income from the sale of one of our previously written-off investments, compared with net interest expense a year ago.

Provision (Benefit) for Income Taxes (amounts in millions)

	September 30, 2008	% of Pretax income	September 30, 2007	% of Pretax income	Increase/ (Decrease)
Three months ended	\$ (62)	36.5%	\$ 7	12.7%	\$ (69)
Nine months ended	\$ (22)	37.9%	(12)	9.3%	(10)

The income tax benefit of \$62 million for the three months ended September 30, 2008 reflects our effective income tax rate benefit for the quarter of 36.5%. The significant items that generate the variance between our effective rate for the three-months ended September 30, 2008 and our statutory rate of 35% were the result of the state income taxes provided, net of federal benefit, foreign income taxes, goodwill impairment, and California research and development tax credits.

For the nine months ended September 30, 2008 our effective tax rate benefit of 37.9% differs from the effective tax rate benefit of 9.3% for the nine months ended September 30, 2007. The difference is due to the recognition of the California Research and Development tax credit and IRC 199 Domestic Production Deduction in the third quarter of 2008, and tax benefits from net operating losses surrendered when compared to those estimated at September 30, 2007, as a result of meeting the more likely than not recognition criteria in the fourth quarter of 2007.

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Liquidity and Capital Resources

Sources of Liquidity (amounts in millions)

	September 30, 2008	December 31, 2007	Increase/ (Decrease)
Cash and cash equivalents	\$ 2,842	\$ 62	\$ 2,780
Short-term investments	94	3	91
	<u>\$ 2,936</u>	<u>\$ 65</u>	<u>\$ 2,871</u>
Percentage of total assets	21%	7%	
	For the nine months ended September 30, 2008	2007	Increase/ (Decrease)
Cash flows provided by operating activities	\$ 125	\$ 308	\$ (183)
Cash flows provided by (used in) investing activities	1,078	(45)	1,123
Cash flows provided by (used in) financing activities	1,607	(294)	1,901

As of September 30, 2008, our primary source of liquidity was approximately \$2.8 billion of cash on hand and cash equivalents. Through the Business Combination, we have acquired and received capital contributions of approximately \$2.8 billion of cash and cash equivalents. With our liquid investment portfolio, we believe that we have sufficient liquidity to meet daily operations in the foreseeable future. We also believe that we have sufficient working capital (approximately \$3.1 billion at September 30, 2008), as well as availability under our credit facilities, to finance our operational requirements for at least the next twelve months, including purchases of inventory and equipment, the funding of the development, production, marketing and sale of new products, to finance the acquisition of intellectual property rights for future products from third parties, and to fund the stock repurchase program we announced on November 5, 2008.

On November 5, 2008, we announced that our Board of Directors authorized a stock repurchase program under which we may repurchase up to \$1 billion of our common stock. Under this program, we may repurchase our common stock from time to time on the open market or in private transactions, including structured or accelerated transactions. We will determine the timing and amount of repurchases based on our evaluation of market conditions and other factors. The repurchase program may be suspended or discontinued by the Company at any time.

Cash Flows from Operating Activities

The primary drivers of cash flows from operating activities have typically included the collection of customer receivables generated by the sale of our products and our subscription revenues, offset by payments to vendors for the manufacture, distribution and marketing of our products, third-party developers and intellectual property holders and to our employees. A significant operating use of our cash relates to our continued investment in software development and intellectual property licenses. We expect that we will continue to make significant expenditures relating to our investment in software development and intellectual property licenses. Our future cash commitments relating to these investments are detailed in Note 16 of the Consolidated Financial Statements.

For the nine months ended September 30, 2008 and 2007, cash flows provided by operating activities were \$125 million and \$308 million, respectively. The principal components comprising cash flows provided by operating activities for the nine months ended September 30, 2008 included investment in software development and intellectual property licenses, and decreases in accounts receivable due to the collection of receivables.

Cash Flows from Investing Activities

The primary drivers of cash flows used in investing activities have typically included capital expenditures, acquisitions of privately held interactive software development companies and publishing companies and the net effect of purchases and sales/maturities of short-term investment vehicles. The goal of our short-term investments is to maximize return while minimizing risk, maintaining liquidity, coordinating with anticipated working capital needs, and providing for prudent investment diversification.

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For the nine months ended September 30, 2008 and 2007, cash flows provided by investing activities were \$1.1 billion and used in investing activities were \$45 million, respectively. For the nine months ended September 30, 2008, cash flows provided by investing activities were primarily the result of the reverse acquisition of Activision, Inc., as partially offset by cash paid for capital expenditures, acquisition of Freestyle Games, Ltd., and an increase in restricted cash to qualify for payment terms on our inventory purchases.

Due to uncertainties surrounding the timing of liquidation of our auction rate securities, which are comprised of investment grade debt obligations secured by higher education student loans, all our investments in such securities were classified as long-term investments in our consolidated balance sheets as of September 30, 2008. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 35 days. On an industry-wide basis, many auctions have failed, and there is, as yet, no meaningful secondary market for these instruments. Each of the auction rate securities in our investment portfolio as of September 30, 2008 has experienced a failed auction and there is no assurance that future auctions for these securities will succeed. An auction failure means that the parties wishing to sell their securities could not be matched with an adequate volume of buyers. In the event that there is a failed auction, the indenture governing the security requires the issuer to pay interest at a contractually defined rate that is generally above market rates for other types of similar instruments. The securities for which auctions have failed will continue to earn interest at the contractual rate and be auctioned every 7 to 35 days until the auction succeeds, the issuer calls the securities or they mature. As a result, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or not exist. In August 2008, certain affiliates of Citigroup, Inc. ("Citi") and UBS AG ("UBS"), through which we own our auction rate securities, announced agreements in principle with various state regulatory agencies and the Securities and Exchange Commission, to address their clients' liquidity issues arising from the auction failures. On August 7, 2008, Citi announced that it would use its best efforts to liquidate its institutional investor clients' auction rate securities by the end of 2009. Citi's final settlement is still pending. On October 7, 2008, UBS finalized its Auction Rate Securities Rights Offering Settlement, under which institutional investor clients who accept the settlement may sell certain illiquid auction rate securities to UBS at par starting June 30, 2010. The acceptance period ends November 14, 2008, unless extended by UBS. All of our auction rate securities held through UBS are eligible under the settlement and we have elected to participate in the settlement.

The change in fair value of the auction rate securities of approximately \$2 million was recorded as a component of comprehensive income (loss) in the Consolidated Statement of Changes in Shareholders' Equity for the nine months ended September 30, 2008, as the decline in fair value is not considered to be "other-than-temporary." We have the intent and ability to hold these securities for a period of time sufficient for a recovery of fair value up to (or beyond) the initial cost of the investment.

Based on our other available cash and expected operating cash flows and financing, we do not anticipate the potential lack of liquidity on these investments will affect our ability to execute our current business plan.

Cash Flows from Financing Activities

The primary drivers of cash flows provided by financing activities have historically related to transactions involving our common stock, including the issuance of shares of common stock to employees and the public and the purchase of treasury shares. We have not utilized debt financing as a significant source of cash flows. However, if needed, we may access and utilize the credit facilities that are available at certain of our international locations and are described in "Credit Facilities" in Note 16 of the Consolidated Financial Statements.

For the nine months ended September 30, 2008, cash flows provided by financing activities were \$1.6 billion which was primarily the result of capital contribution from Vivendi of \$1.7 billion in exchange of the issuance of 126 million shares of our common stock, the issuance of common stock related to employee stock options, partially offset by return of capital to Vivendi by Vivendi Games, repurchase of our common stock through the tender offer, and the repayment of outstanding balances to Vivendi by Vivendi Games.

Off-balance Sheet Arrangements

As of September 30, 2008 and September 30, 2007, Activision Blizzard had no relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, that have or are reasonably likely to have a material future effect on our financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditure, or capital resources.

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Financial Disclosure

We maintain internal control over financial reporting, which generally includes those controls relating to the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. We also are focused on our "disclosure controls and procedures," which as defined by the SEC are generally those controls and procedures designed to ensure that financial and non-financial information required to be disclosed in our reports filed with the SEC is reported within the time periods specified in the SEC's rules and forms, and that such information is communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Our Disclosure Committee, which operates under the Board approved Disclosure Committee Charter and Disclosure Controls & Procedures Policy, includes senior management representatives and assists executive management in its oversight of the accuracy and timeliness of our disclosures, as well as in implementing and evaluating our overall disclosure process. As part of our disclosure process, senior finance and operational representatives from all of our corporate divisions and business units prepare quarterly reports regarding their current quarter operational performance, future trends, subsequent events, internal controls, changes in internal controls and other accounting and disclosure-relevant information. These quarterly reports are reviewed by certain key corporate finance executives. These corporate finance representatives also conduct quarterly interviews on a rotating basis with the preparers of selected quarterly reports. The results of the quarterly reports and related interviews are reviewed by the Disclosure Committee. Finance representatives also conduct reviews with our senior management team, our internal and external counsel and other appropriate personnel involved in the disclosure process, as appropriate. Additionally, senior finance and operational representatives provide internal certifications regarding the accuracy of information they provide that is utilized in the preparation of our periodic public reports filed with the SEC. Financial results and other financial information also are reviewed with the Audit Committee of the Board of Directors on a quarterly basis. As required by applicable regulatory requirements, the principal executive and financial officers review and make various certifications regarding the accuracy of our periodic public reports filed with the SEC, our disclosure controls and procedures, and our internal control over financial reporting. With the assistance of the Disclosure Committee, we will continue to assess and monitor our disclosure controls and procedures, and our internal control over financial reporting, and will make refinements as necessary.

Recently Issued Accounting Standards

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) expands the definition of a business combination and requires acquisitions to be accounted for at fair value. These fair value provisions will be applied to contingent consideration, in-process research and development and acquisition contingencies. Purchase accounting adjustments will be reflected during the period in which an acquisition was originally recorded. Additionally, the new standard requires transaction costs and restructuring charges to be expensed. SFAS No. 141(R) is effective for the Company for acquisitions closing during and subsequent to the first quarter of 2009.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential loss arising from fluctuations in market rates and prices. Our market risk exposures primarily include fluctuations in interest rates, foreign currency exchange rates and market prices. All of our market risk sensitive instruments are classified as instruments entered into for purposes "other than trading." Our views on market risk are not necessarily indicative of actual results that may occur and do not represent the maximum possible gains and losses that may occur, since actual gains and losses will differ from those estimated based upon actual fluctuations in interest rates, foreign currency exchange rates, and market prices and the timing of transactions.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio. We manage an investment portfolio consisting primarily of debt instruments with high credit quality and relatively short average maturities and money market funds that invest in such securities. Because short-term securities mature relatively quickly and must be reinvested at the then current market rates, interest income on a portfolio consisting of cash, cash equivalents, or short-term securities is more subject to market fluctuations than a portfolio of longer term securities. Conversely, the fair value of such a portfolio is less sensitive to market fluctuations than a portfolio of longer term securities. As of September 30, 2008, our cash and cash equivalents, and short-term investments included money market funds and mortgage-backed securities of \$2.7 billion, and \$7 million, respectively. Most of our investment portfolio is invested in short-term or variable rate securities. Accordingly, we believe that a sharp change in interest rates would not have a material effect on our short-term investment portfolio. We also manage our interest

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rate risk by maintaining sufficient cash and cash equivalent balances. As of September 30, 2008, our investments in auction rate securities of \$86 million were classified as long-term investments.

Foreign Currency Exchange Rate Risk

We transact business in many different foreign currencies and may be exposed to financial market risk resulting from fluctuations in foreign currency exchange rates. Currency volatility is monitored frequently throughout the year. When appropriate, we enter into hedging transactions in order to mitigate our risk from foreign currency fluctuations. We expect to continue to use hedging programs in the future and may use currency forward contracts, currency options and/or other derivative financial instruments to reduce financial market risks if it is determined that such hedging activities are appropriate to reduce risk. We do not hold or purchase any foreign currency contracts for trading purposes.

Activision Blizzard's foreign currency risk policy seeks to reduce risks, via Vivendi, forecasted transaction exposures, resulting primarily from cash flows generated by operations conducted in currencies other than the U.S. dollar and firm commitments, essentially relating to third-party development contracts, denominated in foreign currencies. For this purpose, Activision Blizzard enters into forward contracts with Vivendi, generally with maturities of twelve months or less, in accordance with the following procedures designed to prohibit speculative transactions:

- Vivendi is the sole counter-party for foreign currency transactions within Activision Blizzard, unless specific regulatory, operational, or other considerations require otherwise; and
- All foreign currency hedging transactions are backed, in amount and by maturity, by an identified economic underlying item.

In addition, Activision Blizzard also hedges foreign currency exposure resulting from foreign currency denominated financial assets and liabilities, consisting primarily of intercompany receivables and payables.

As of September 30, 2008 and December 31, 2007, the net notional amount of outstanding forward foreign exchange contracts was approximately \$32 million and \$14 million, respectively. A pre-tax net unrealized gain of approximately \$3 million and \$2 million for the three and nine months ended September 30, 2008, respectively, and a pre-tax net unrealized loss of approximately \$- million and \$2 million for the three and nine months ended September 30, 2007, respectively, resulted from the foreign exchange contracts with Vivendi were recognized in the Consolidated Statement of Operations.

Item 4. Controls and Procedures

Controls and Procedures

1) Definition and Limitations of Disclosure Controls and Procedures.

Our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures. A control system, no matter how well designed and operated, can provide only reasonable assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Inherent limitations to any system of disclosure controls and procedures include, but are not limited to, the possibility of human error and the circumvention or overriding of such controls by one or more persons. In addition, we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, and our system of controls may therefore not achieve its desired objectives under all possible future events.

2) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2008, the end of the period covered by this report. Based on this controls evaluation, and subject to the limitations described above, the principal executive officer and principal financial officer concluded that, as of September 30, 2008, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files

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or submits under the Exchange Act is (i) recorded, processed, summarized, and reported on a timely basis, and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Prior to the consummation of the Business Combination, Activision submitted a request to the staff of the SEC for concurrence that Activision Blizzard would be permitted to exclude the business of Vivendi Games from its assessment of internal control over financial reporting in accordance with Section 404 for the year ending December 31, 2008. The Company has been advised by the staff of the SEC that it has no objection to this request. Accordingly, management has elected to exclude Vivendi Games from its December 31, 2008 assessment of and report on internal control over financial reporting. The Company is currently in the process of incorporating the internal controls and procedures of Vivendi Games into the Company's internal control over financial reporting, and expects to be able to perform an assessment of and report on internal control over financial reporting for the year ending December 31, 2009.

3) Changes in Internal Control Over Financial Reporting.

The following changes to the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2008, have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting:

On July 9, 2008, Activision and Vivendi Games combined their businesses as a result of the consummation of the Business Combination. See Note 1 to the Consolidated Financial Statements included in Part I of this Form 10-Q for a description of the Business Combination. As a result of the Business Combination, Activision, Inc. was renamed Activision Blizzard, Inc. For accounting purposes, the Business Combination is treated as a "reverse acquisition," with Vivendi Games, Inc. deemed to be the acquirer. The historical financial statements of Activision Blizzard, Inc. prior to July 9, 2008 are those of Vivendi Games, Inc.

The Company's management considers the Business Combination material to the Company's results of operations, cash flows and financial position from the date of the acquisition through September 30, 2008, and believes that the internal control over financial reporting of Vivendi Games has a material effect on the Company's internal control over financial reporting.

Accordingly, there have been changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Prior to July 9, 2008, Vivendi Games was a wholly owned subsidiary of Vivendi S.A. As a wholly owned subsidiary operating as a business unit within the Vivendi S.A. group, Vivendi Games had not historically prepared financial statements for separate stand-alone purposes, had its taxable income processed within the Vivendi U.S. tax returns and did not maintain an external financial reporting group or tax group. Internal controls were determined to be adequate to comply with Vivendi S.A.'s internal reporting requirements under International Financial Reporting Standards. For purposes of inclusion in Activision's proxy statement related to the Business Combination, Vivendi Games prepared U.S. GAAP stand-alone financial statements for the fiscal years ended December 31, 2007 and 2006, and these stand-alone financial statements were issued after the announcement of the transaction. It was determined that the following matters constituted material weaknesses as it related to those stand-alone financial statements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of its financial statements, on a stand-alone U.S. GAAP basis, for the fiscal years ended December 31, 2007 and 2006, Vivendi Games did not properly design and/or operate effective controls to detect certain errors in the preparation, classification and disclosure of its financial statements; additionally, Vivendi Games did not properly design and/or operate effective controls to detect certain errors in the preparation of the stand-alone tax provision and related tax disclosures in its financial statements for the fiscal year ended December 31, 2007.

Activision, Inc.'s management concluded that Activision, Inc.'s internal control over financial reporting was effective as of March 31, 2008. Subsequent to the consummation of the Business Combination on July 9, 2008, Activision, Inc.'s management became responsible for establishing and maintaining the combined Company's internal control over financial reporting, including financial statement preparation and reporting and tax provision preparation and reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 8, 2008, the Wayne County Employees' Retirement System filed a lawsuit challenging the Business Combination in the Delaware Court of Chancery. The suit is a putative class action filed against the parties to the Business Combination Agreement as well as certain current and former members of our Board of Directors. The plaintiff alleges, among other things, that our current and former directors named therein failed to fulfill their fiduciary duties with regard to the Business Combination by "surrendering" the negotiating process to "conflicted management," that those breaches were aided and abetted by Vivendi and those of its subsidiaries named in the complaint, and that the preliminary proxy statement filed by the Company on January 31, 2008 contains certain statements that the plaintiff alleges are false and misleading. The plaintiff seeks an order from the court that, among other things, certifies the case as a class action, enjoins the Business Combination, requires the defendants to disclose all material information, declares that the Business Combination is in breach of the directors' fiduciary duties and therefore unlawful and unenforceable, awards the plaintiff and the putative class damages for all profits and special benefits obtained by the defendant in connection with the Business Combination and tender offer, and awards the plaintiff its cost and expense, including attorney's fees.

After various initial motions were filed and ruled upon, on May 8, 2008, the plaintiff filed an amended complaint that, among other things, added allegations relating to a revised preliminary proxy statement filed by the Company on April 30, 2008. Additional motions were then filed, including a motion for preliminary injunction filed by the plaintiff and a motion to dismiss filed by Vivendi and its subsidiaries. On June 24, 2008, the court granted Vivendi and its subsidiaries' motion to dismiss as to them. On July 1, 2008, the court denied plaintiff's motion for preliminary injunction. The Company intends to defend itself vigorously.

In July 2006, individuals and/or entities claiming to be our stockholders filed derivative lawsuits, purportedly on our behalf, against certain current and former members of our Board of Directors as well as several of our current and former officers. Three derivative actions were filed in Los Angeles Superior Court: Vazquez v. Kotick, et al., L.A.S.C. Case No. BC355327 (filed July 12, 2006); Greuer v. Kotick, et al. L.A.S.C. Case No. SC090343 (filed July 12, 2006); and Amalgamated Bank v. Baker, et al., L.A.S.C. Case No. BC356454 (filed August 3, 2006). These actions were consolidated by the court under the caption In re Activision Shareholder Derivative Litigation, L.A.S.C. Master File No. SC090343 (West, J.). Four derivative actions were filed in the United States District Court for the Central District of California: Pfeiffer v. Kotick, et al., C.D. Cal. Case No. CV06-4771 MRP (JTLx) (filed July 31, 2006); Hamian v. Kotick, et al., C.D. Cal. Case No. CV06-5375 MRP (JLTx) (filed August 25, 2006); Abdelnur vs. Kotick et al., C.D. Cal. Case No. CV07-3575 AHM (PJWx) (filed June 1, 2007); and Scarborough v. Kotick et al., C.D. Cal. Case No. CV07-4602 SVW (PLAx) (filed July 18, 2007). These actions were also consolidated, under the caption In re Activision, Inc. Shareholder Derivative Litigation, C.D. Cal. Case No. CV06-4771 MRP (JTLx) (Pfaelzer, J.). The consolidated complaints alleged, among other things, purported improprieties in our issuance of stock options. Plaintiffs sought various relief on our behalf, including damages, restitution of benefits obtained from the alleged misconduct, equitable relief, including an accounting and rescission of option contracts; and various corporate governance reforms. We expect that defense expenses associated with the matters will be covered by our directors and officers insurance, subject to the terms and conditions of the applicable policies.

On July 22, 2008 and July 28, 2008, all claims in the consolidated stock options dating-related shareholder derivative actions pending in the U.S. District Court for the Central District of California and in Los Angeles Superior Court, respectively, were dismissed with prejudice pursuant to the District Court's order finally approving the Stipulation of Settlement entered into by all parties to the actions. In entering into the Stipulation of Settlement, neither we nor any of the settling parties admitted to any liability or wrongdoing. Under the terms of the court-approved Stipulation of Settlement, we are required to adopt, implement and/or maintain certain corporate governance and internal control measures, relating principally to the following: board composition, structure and practices, director independence standards, stock ownership and compensation, and education; shareholder proposal evaluation process; nomination procedures for shareholder-nominated directors; shareholder meeting procedures; executive compensation policies and procedures; insider trading controls; and stock option granting procedures. We agreed to keep these measures in place for a period of three years, subject to certain exceptions. The Stipulation of Settlement also addresses matters relating to the agreements by certain of our current and former directors and officers to reimburse the Company in connection with the receipt of options that required measurement date corrections. In the case of options already exercised, the agreements allowed reimbursement to be made either by cancellation of vested but unexercised options with a value equivalent to the additional exercise price or by payment of additional exercise price. In the case of options not yet exercised, the exercise price to be paid upon future exercise of those options is increased. In the aggregate, settling defendants have elected to cancel options to acquire approximately 800,000 shares of our common stock and have agreed to increases in the

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exercise prices of approximately 16.1 million options. The modification of these options did not result in any incremental compensation expense. The Stipulation of Settlement also provides for the forgiveness of approximately \$2 million in legal fees previously billed to us by former outside corporate counsel. In addition, the Stipulation of Settlement provides for us to pay \$10 million to plaintiffs' attorneys for their fees and expenses, subject to court approval of such fees and expenses and subject to our reservation of all rights against our directors and officers ("D&O") insurers, reinsurers and co-insurers. The Company paid the \$10 million during the current quarter. The Stipulation of Settlement also provides that plaintiffs' attorneys will also be entitled to 15% (up to \$750,000) of any payments made by our D&O insurers to the Company in connection with the settlement, to the extent such payments constitute reimbursement of amounts above and beyond covered defense costs incurred in connection with the options matters. We have entered into settlement agreements with our first and second level excess D&O insurers (our primary D&O insurer having exhausted its policy limits prior to the parties' entry into the Stipulation of Settlement). We have not yet reached agreements with our third level excess D&O insurer or our D&O insurer providing "Side A/Difference in Conditions" coverage.

On July 24, 2006, we received a letter of informal inquiry from the SEC requesting certain documents and information relating to our historical stock option grant practices. Thereafter, in early June 2007, the SEC issued a formal order of non-public investigation, pursuant to which it subpoenaed documents from us related to the investigation, and testimony and documents from certain current and former directors, officers and employees of ours. We were recently advised by the SEC Staff in Los Angeles that they have decided to conclude this investigation without recommending any enforcement action.

In addition, we are party to other routine claims and suits brought by us and against us in the ordinary course of business, including disputes arising over the ownership of intellectual property rights, contractual claims, employment laws, regulations and relationships, and collection matters. In the opinion of management, after consultation with legal counsel, the outcome of such routine claims and lawsuits will not have a material adverse effect on our business, financial condition, results of operations, or liquidity.

Item 1A. Risk Factors

Various risk factors associated with our business are included in Part II, Item 1A, "Risk Factors," of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. In addition, the Company notes the following risk:

General economic conditions may affect our revenue and harm our business.

As widely reported, financial markets in the United States, Europe and Asia have been experiencing extreme disruption in recent months. Unfavorable changes in economic conditions, including declining consumer confidence, inflation, recession or other changes, may lead our customers to delay or reduce purchases of our products and our revenue could be adversely affected. Challenging economic conditions also may impair the ability of our customers or distributors to pay for

products they have purchased, and as a result, our reserves for doubtful accounts and write-offs of accounts receivable could increase. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the U.S. and other countries.

Item 4. Submission of Matters to a Vote of Security Holders

Special Meeting of Stockholders. We held a special meeting of the Company's stockholders on July 8, 2008 in Beverly Hills, California. At the special meeting, the Company's stockholders voted on the following four proposals and cast their votes as follows:

Proposal No. 1: To approve of the issuance of an aggregate of approximately 358.2 million new shares of the Company's common stock, par value \$0.000001 per share, to VGAC and Vivendi, in connection with (a) the merger of a wholly-owned subsidiary of Activision with and into Vivendi Games, and (b) the purchase of shares of the Company's common stock by Vivendi, in each case, in accordance with the business combination agreement.

For	Against	Abstained
253,415,975	1,446,254	123,062

Proposal No. 2: To approve the amendment and restatement of Activision's amended and restated certificate of incorporation, subject to completion of the business combination, consisting of the following subproposals:

- 2A—a proposal to change the combined company's name from "Activision, Inc." to "Activision Blizzard, Inc."

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For	Against	Abstained
253,542,898	1,335,933	106,460

- 2B—a proposal to increase the number of authorized shares of capital stock from 455,000,000 to 1,205,000,000.

For	Against	Abstained
251,368,826	3,532,028	84,437

- 2C—a proposal to eliminate the Series A Junior Preferred Stock.

For	Against	Abstained
253,603,178	1,282,660	99,453

- 2D—a proposal to include certain quorum requirements for committees of the board of directors under certain circumstances.

For	Against	Abstained
253,529,460	1,286,930	168,901

- 2E—a proposal to require supermajority stockholder approval to amend certain sections of the certificate of incorporation.

For	Against	Abstained
236,065,488	18,802,496	117,307

- 2F—a proposal to limit the power of the board of directors to amend certain provisions of the bylaws without stockholder approval.

For	Against	Abstained
252,651,021	2,209,350	124,920

- 2G—a proposal to grant the directors designated by Vivendi certain voting powers when other Vivendi designees are not present at board or committee meetings.

For	Against	Abstained
252,066,841	2,580,087	338,363

- 2H—a proposal to include limitations on certain business activities in which Vivendi may, directly or indirectly, engage or participate.

For	Against	Abstained
253,524,522	1,307,858	152,911

- 2I—a proposal to establish procedures allocating certain corporate opportunities between Activision Blizzard and Vivendi.

For	Against	Abstained
253,465,185	1,368,686	151,420

- 2J—a proposal to require Vivendi or Activision Blizzard to purchase all of the combined company's issued and outstanding shares of common stock if and when Vivendi becomes the record owner of more than 90% of the issued and outstanding shares of common stock.

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For	Against	Abstained
253,459,668	1,325,497	200,126

- 2K—a proposal to establish procedures governing affiliate transactions.

For	Against	Abstained
253,571,580	1,251,957	161,754

- 2L—a proposal to cause the combined company to be governed by Section 203 of the Delaware General Corporation Law, a statute which restricts business combinations between corporations and their significant stockholders.

For	Against	Abstained
251,823,830	3,004,282	157,179

Proposal No. 3: To approve of the amendment of Section 7.4(a) of Activision's third amended and restated bylaws to restrict the amendment of additional sections of the bylaws without stockholder approval, subject to the completion of the business combination.

For	Against	Abstained
252,073,788	2,676,968	234,535

Proposal No. 4: To approve any motion to adjourn or postpone the special meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the other three items submitted.

For	Against	Abstained
237,060,523	17,802,977	121,791

Action Taken by Majority Stockholder. Stockholders of record at the close of business on July 14, 2008 received notice that VGAC, which was the owner of approximately 54% of the Company's issued and outstanding common stock as of that date, delivered to the Company an executed written consent:

1. voting in favor of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 1,200,000,000 to 2,400,000,000 for the purpose of allowing the Company to effect a two-for-one stock split announced on July 11, 2008;
2. ratifying and re-approving (as applicable) the actions taken by the stockholders of Company at its 2007 annual meeting, including:
 - ratifying and re-approving the election of the eight directors elected to hold such office;
 - ratifying and re-approving the Activision, Inc. 2007 Incentive Plan;
 - re-ratifying the appointment of PricewaterhouseCoopers LLP as Activision's independent registered public accounting firm for the fiscal year ended March 31, 2008;
 - ratifying a stockholder proposal regarding a stockholder advisory vote on executive compensation; and
 - voting against a stockholder proposal regarding diversity of the Company's board of directors.

Annual Meeting of Stockholders. We held our 2008 annual meeting of the Company's stockholders on September 24, 2008 in Beverly Hills, California. At the annual meeting, our stockholders voted on the following four proposals and cast their votes as follows:

Proposal No. 1: To elect 11 directors to serve until their respective successors are duly elected or appointed and qualified or until the earlier of their death, resignation or removal.

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Nominee	For	Withheld
Philippe G. H. Capron	507,795,126	121,935,433
Robert J. Corti	473,313,396	156,417,163
Frédéric R. Crépin	499,937,509	129,793,050
Bruce L. Hack	507,805,211	121,925,348
Brian G. Kelly	473,851,917	155,878,642
Robert A. Kotick	477,320,144	152,410,415
Jean-Bernard Lévy	500,100,674	129,629,885
Robert J. Morgado	469,418,295	160,312,264
Douglas P. Morris	502,323,218	127,407,341
René P. Pénisson	500,084,365	129,646,194
Richard Sarnoff	495,017,901	134,712,658

Proposal No. 2: To approve the Activision Blizzard, Inc. 2008 Incentive Plan.

For	Against	Abstained	Not Voted
549,241,724	53,707,961	97,358	26,683,516

Proposal No. 3: To approve a stockholder proposal regarding diversity of our Board of Directors.

For	Against	Abstained	Not Voted
17,633,436	540,786,041	44,627,566	26,683,516

For	Against	Abstained	Not Voted
138,478,957	434,546,590	30,021,496	26,683,516

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Item 6. Exhibits

- 2.1 Business Combination Agreement, dated as of December 1, 2007, among Activision, Inc., Sego Merger Corporation, Vivendi S.A., VGAC LLC and Vivendi Games, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K, filed December 6, 2007).
- 3.1 Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated July 9, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed July 15, 2008).
- 3.2 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated August 15, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed August 15, 2008).
- 3.3 Amended and Restated By-Laws of Activision Blizzard, Inc., dated July 9, 2008 (incorporated by reference to Exhibit 3.2 of the Company's Form 8-K, filed July 15, 2008).
- 3.4 First Amendment to the Amended and Restated By-Laws of Activision Blizzard, Inc., dated July 28, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed July 31, 2008).
- 10.1 Notice of Stock Option Award for grants to non-employee directors issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.2 Notice of Stock Option Award for grants to persons other than non-employee directors issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.3 Notice of Restricted Share Award for grants to persons other than non-employee directors issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.4 Notice of Restricted Share Unit Award for grants to officers issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.5 Notice of Restricted Share Unit Award for grants to independent directors upon their initial election to the board or upon their tenth continuous year of service on the board issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.6 Notice of Restricted Share Unit Award for grants to independent directors upon their reelection to the board (other than in connection with 10 years of continuous service) issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.7 Notice of Restricted Share Unit Award for grants to non-employee directors resident in France issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.8 Notice of Restricted Share Unit Award for grants to persons other than officers or directors issued pursuant to the Activision, Inc. 2007 Incentive Plan.
- 10.9 Addendum to Stock Option Agreement, dated as of June 1, 2006, between Thomas Tippl and Activision, Inc.
- 10.10 Amendment to the Employment Agreement, dated as of July 7, 2008, between Robert A. Kotick and Activision, Inc.
- 10.11 Employment Agreement, dated July 8, 2008, between Ronald Doornink and Activision Publishing, Inc.

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- 10.12 Description of the Non-Employee Director Compensation Program adopted on July 17, 2008.
- 10.13 Investor Agreement, dated as of July 9, 2008, among Activision Blizzard, Inc., Vivendi S.A., VGAC LLC, and Vivendi Games, Inc. (incorporated by reference to Exhibit 10.1 of Activision Blizzard's Form 8-K, filed July 15, 2008).
- 10.14 Tax Sharing Agreement, dated as of July 9, 2008, among Activision Blizzard, Inc., Vivendi Holding I Corp., Vivendi Games, Inc. (incorporated by reference to Exhibit 10.2 of Activision Blizzard's Form 8-K, filed July 15, 2008).
- 10.15 Amendment to the Credit Agreement, dated as of July 8, 2008, between Activision Blizzard, Inc. and Vivendi S.A.
- 10.16 Notice of Performance Share Award to Robert A. Kotick, dated as of July 9, 2008.
- 10.17 Notice of Restricted Share Unit Award to Robert A. Kotick, dated as of July 9, 2008.
- 10.18 Notice of Restricted Share Unit Award to Brian G. Kelly, dated as of July 9, 2008.
- 10.19 Employment Agreement, dated as of December 1, 2007, between Michael Morhaime and Vivendi Games, Inc.

- 10.20 Assignment and Assumption of Morhaime Employment Agreement, dated as of July 9, 2008, between Vivendi Games, Inc. and Activision Blizzard, Inc.
- 10.21 Stock Option Agreement, dated June 15, 2005 and amended and restated as of July 9, 2008, between Michael Griffith and Activision Blizzard, Inc.
- 10.22 Restricted Stock Agreement, dated June 15, 2005 and amended and restated as of July 9, 2008, between Michael Griffith and Activision Blizzard, Inc.
- 10.23 Notice of Share Option Award to Michael Morhaime, dated as of July 9, 2008.
- 10.24 Notice of Share Option Award to Michael J. Griffith, dated as of July 11, 2008.
- 10.25 Notice of Restricted Share Unit Award to Michael J. Griffith, dated as of July 11, 2008.
- 10.26 Notice of Share Option Award to Ronald Doornink, dated as of July 11, 2008.
- 10.27 Notice of Restricted Share Unit Award to Ronald Doornink, dated as of July 11, 2008.
- 10.28 Employment Agreement, dated as of December 1, 2007, between Bruce L. Hack and Vivendi Holding I Corp.
- 10.29 Assignment and Assumption of Hack Employment Agreement, dated as of July 9, 2008, between Vivendi Holding I Corp. and Activision Blizzard, Inc.
- 10.30 Notice of Share Option Award to Bruce L. Hack, dated as of July 14, 2008.
- 10.31 Employment Agreement, dated July 16, 2008, between Jean-François Grollemund and Activision Blizzard, Inc.
- 10.32 Notice of Restricted Share Unit Award to Jean-François Grollemund, dated as of July 21, 2008.

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- 18.1 Letter of PricewaterhouseCoopers LLP regarding change in accounting principle (incorporated by reference to Exhibit 99.6 of Activision Blizzard's Form 8-K, filed November 5, 2008).
- 31.1 Certification of Robert A. Kotick pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Thomas Tipl pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Robert A. Kotick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Thomas Tipl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

Date: November 10, 2008

ACTIVISION BLIZZARD, INC.

/s/ Thomas Tipl

Thomas Tipl
Chief Financial Officer,
Principal Financial and Accounting Officer
Activision Blizzard, Inc.

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- 10.12 Description of the Non-Employee Director Compensation Program adopted on July 17, 2008.
- 10.13 Investor Agreement, dated as of July 9, 2008, among Activision Blizzard, Inc., Vivendi S.A., VGAC LLC, and Vivendi Games, Inc. (incorporated by reference to Exhibit 10.1 of Activision Blizzard's Form 8-K, filed July 15, 2008).
- 10.14 Tax Sharing Agreement, dated as of July 9, 2008, among Activision Blizzard, Inc., Vivendi Holding I Corp., Vivendi Games, Inc. (incorporated by reference to Exhibit 10.2 of Activision Blizzard's Form 8-K, filed July 15, 2008).
- 10.15 Amendment to the Credit Agreement, dated as of July 8, 2008, between Activision Blizzard, Inc. and Vivendi S.A.
- 10.16 Notice of Performance Share Award to Robert A. Kotick, dated as of July 9, 2008.
- 10.17 Notice of Restricted Share Unit Award to Robert A. Kotick, dated as of July 9, 2008.
- 10.18 Notice of Restricted Share Unit Award to Brian G. Kelly, dated as of July 9, 2008.
- 10.19 Employment Agreement, dated as of December 1, 2007, between Michael Morhaime and Vivendi Games, Inc.
- 10.20 Assignment and Assumption of Morhaime Employment Agreement, dated as of July 9, 2008, between Vivendi Games, Inc. and Activision Blizzard, Inc.
- 10.21 Stock Option Agreement, dated June 15, 2005 and amended and restated as of July 9, 2008, between Michael Griffith and Activision Blizzard, Inc.
- 10.22 Restricted Stock Agreement, dated June 15, 2005 and amended and restated as of July 9, 2008, between Michael Griffith and Activision Blizzard, Inc.
- 10.23 Notice of Share Option Award to Michael Morhaime, dated as of July 9, 2008.
- 10.24 Notice of Share Option Award to Michael J. Griffith, dated as of July 11, 2008.

10.25	Notice of Restricted Share Unit Award to Michael J. Griffith, dated as of July 11, 2008.
10.26	Notice of Share Option Award to Ronald Doornink, dated as of July 11, 2008.
10.27	Notice of Restricted Share Unit Award to Ronald Doornink, dated as of July 11, 2008.
10.28	Employment Agreement, dated as of December 1, 2007, between Bruce L. Hack and Vivendi Holding I Corp.
10.29	Assignment and Assumption of Hack Employment Agreement, dated as of July 9, 2008, between Vivendi Holding I Corp. and Activision Blizzard, Inc.
10.30	Notice of Share Option Award to Bruce L. Hack, dated as of July 14, 2008.
10.31	Employment Agreement, dated July 16, 2008, between Jean-François Grollemund and Activision Blizzard, Inc.
10.32	Notice of Restricted Share Unit Award to Jean-François Grollemund, dated as of July 21, 2008.

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18.1	Letter of PricewaterhouseCoopers LLP regarding change in accounting principle (incorporated by reference to Exhibit 99.6 of Activision Blizzard's Form 8-K, filed November 5, 2008).
31.1	Certification of Robert A. Kotick pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Thomas Tipll pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert A. Kotick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Thomas Tipll pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: [_____]
- Total number of Shares purchasable upon exercise of the Stock Option awarded: [10,000][20,000]
- Exercise Price: US \$[_____] per Share
- Date of Grant: [_____] ; [_____]
- Expiration Date: [_____] ; [_____]
- Grant ID: [_____]
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you continuously serve as a member of the Board through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
3 months after Date of Grant	2,500	2,500
6 months after Date of Grant	2,500	5,000
9 months after Date of Grant	2,500	7,500
First anniversary of Date of Grant	2,500	10,000
[15 months after Date of Grant]	[2,500]	[12,500]
[18 months after Date of Grant]	[2,500]	[15,000]
[21 months after Date of Grant]	[2,500]	[17,500]
[Second anniversary of Date of Grant]	[2,500]	[20,000]

- The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Stock Option Award to the Company at:***

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

 Ann E. Weiser
 Chief Human Resources Officer

Date: _____

ACCEPTED AND AGREED:

 [Name of Holder]

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” means “permanent and total disability” as defined in Section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Exercise Price**” means the Exercise Price set forth on the Grant Notice.

“**Expiration Date**” means the Expiration Date set forth on the Grant Notice.

“**Grant Notice**” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“**Holder**” means the recipient of the Award named on the Grant Notice.

“**Option**” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Shares**” means the Common Shares purchasable upon exercise of the Stock Option.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. **Expiration.** The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. **Vesting and Exercise.**

(a) **Vesting Schedule.** Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) **Exercisable Only by Holder.** Except as otherwise permitted under the Plan or Section 10 hereof, the Stock Option may be exercised during the Holder’s lifetime only by the Holder or, in the event of the Holder’s legal incapacity to do so, by the Holder’s guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) **Procedure for Exercise.** The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator’s website from time to time or (ii) with the Company’s consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) **Payment of Exercise Price.** To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national

quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

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(e) No Fractional Shares. In no event may the Stock Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 12 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. Termination of Service.

(a) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies during his term as a member of the Board or the Holder ceases to serve as a member of the Board due to the Holder's Disability, the Stock Option shall (i) if not then fully vested, immediately vest as of the date of the Holder's death or the first date of the Holder's Disability (as determined by the Committee), as the case may be, and (ii) remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or cessation of service, as the case may be, and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled.

(b) Change of Control. Unless the Committee determines otherwise, in the event that the Holder ceases to serve as a member of the Board pursuant to the terms of any business combination or similar transaction involving the Company, the Stock Option shall (i) if not then fully vested, immediately vest as of the date on which such business combination or similar transaction is consummated, and (ii) be exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's cessation of service and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled.

(c) Cause. Unless the Committee determines otherwise, in the event that the Holder's service as a member of the Board is terminated for cause (as determined by the Board

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in its sole discretion) the Stock Option shall (i) cease to vest as of the date of such termination of service and (ii) whether or not vested as of the date of such termination of service, shall no longer be exercisable and shall be immediately cancelled.

(d) Other. Unless the Committee determines otherwise, in the event that the Holder ceases to serve as a member of the Board for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of service and (ii) to the extent vested as of the date of such termination of service, be exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's cessation of service and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan.

Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 8 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

11. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 11 does not create an obligation on the part of the Committee or the Company to make any such modification.

12. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

13. No Right to Continued Service. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to continued service on the Board or derogate from any right of the Company's stockholders to remove the Holder from the Board at any time, with or without cause.

14. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

15. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

16. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

17. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

18. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown on the records of the Company or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

19. Conflict with Plan. In the event of any conflict between the terms of the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

20. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: [_____ ; _____]
- Total number of Shares purchasable upon exercise of the Stock Option awarded: [_____]
- Exercise Price: US\$[_____] per Share
- Date of Grant: [_____ & nbsp; _____]
- Expiration Date: [_____ ; _____]
- Grant ID: [_____]

- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- **[Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]**

· *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
First anniversary of Date of Grant	[_____]	[_____]
Second anniversary of Date of Grant	[_____]	[_____]
Third anniversary of Date of Grant	[_____]	[_____]
[Fourth anniversary of Date of Grant]	[_____]	[_____]
[Fifth anniversary of Date of Grant]	[_____]	[_____]

- The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Stock Option Award to the Company at:***

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

By: _____
 Title: _____
 Date: _____

ACCEPTED AND AGREED:

 [Name of Holder]

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean the Holder’s (A) willful, reckless or gross misconduct or fraud, (B) grossly negligent performance of job responsibilities, (C) indictment on charges related to, conviction of, or pleading no contest to, a felony or crime involving dishonesty or moral turpitude, or (D) breach of any proprietary information, confidentiality, “work for hire,” non-solicitation or similar agreement between the Holder and the Company or any of its subsidiaries or affiliates.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Disability” (A) shall have the meaning given to such term in, or otherwise be determined in accordance with, any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (B) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “disability” or otherwise provide a method for determining whether the Holder is disabled, shall have the meaning ascribed thereto under the Company’s long-term disability plan in effect from time to time, as interpreted under such plan (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“Employment Violation” means any material breach by the Holder of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Price” means the Exercise Price set forth on the Grant Notice.

“Expiration Date” means the Expiration Date set forth on the Grant Notice.

“Grant Notice” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“Holder” means the recipient of the Award named on the Grant Notice.

“Look-back Period” means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Option” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“Plan” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“Recapture Amount” means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Stock Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Stock Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Stock Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of

exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of

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computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

"Shares" means the Common Shares purchasable upon exercise of the Stock Option.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. **Expiration.** The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. **Vesting and Exercise.**

(a) **Vesting Schedule.** Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the "Schedule for Vesting" set forth on the Grant Notice.

(b) **Exercisable Only by Holder.** Except as otherwise permitted under the Plan or Section 10 hereof, the Stock Option may be exercised during the Holder's lifetime only by the Holder or, in the event of the Holder's legal incapacity to do so, by the Holder's guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) **Procedure for Exercise.** The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator's website from time to time or (ii) with the Company's consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) **Payment of Exercise Price.** To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

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(e) **No Fractional Shares.** In no event may the Stock Option be exercised for a fraction of a Share.

(f) **No Adjustment for Dividends or Other Rights.** No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) **Issuance and Delivery of Shares.** As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) **Partial Exercise.** If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. **Termination of Employment.**

(a) **Cause.** In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) **Death or Disability.** Unless the Committee determines otherwise, in the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, the Stock Option shall (i) cease to vest as of the date of the Holder's death or the first date of the Holder's Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or termination of employment, as the case may be, and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in

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accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 8 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

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8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

11. Employment Violation. The terms of this Section 11 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall

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have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

13. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

15. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

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16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

You have been awarded Restricted Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: []
- Total number of Restricted Shares awarded: []
- Date of Grant: []
- Grant ID: []

Your Award of Restricted Shares is governed by the terms and conditions set forth in:

- this Notice of Restricted Share Award;
 - the Restricted Share Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- [Your Award of Restricted Shares has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]**

Schedule for Lapse of Restrictions: Except as otherwise provided under the Award Terms, the Restrictions on the Restricted Shares awarded to you will lapse as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Lapse of Restrictions

Date on which Restrictions Lapse	No. of Restricted Shares as to which Restrictions Lapse
First anniversary of Date of Grant	[]
Second anniversary of Date of Grant	[]
Third anniversary of Date of Grant	[]
[Fourth anniversary of Date of Grant]	[]
[Fifth anniversary of Date of Grant]	[]

- ***Please sign and return to the Company this Notice of Restricted Share Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- If you wish to make an election to include the value of the Restricted Shares in your taxable income for the current calendar year, you must complete and sign the Section 83(b) Election Form attached hereto as Exhibit B and both (1) file a copy of it with the Internal Revenue Service Center at which you file your federal income tax return and (2) return a copy of it to the Company, in each case no later than the 30th day after the Date of Grant.
- ***Please return all items to be returned to the Company to:***

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain (1) the enclosed duplicate copy of this Notice of Restricted Share Award for your records and (2) if applicable, two copies of your completed Section 83(b) Election Form, (a) one copy of which should be filed with the Internal Revenue Service Center at which you file your federal income tax return no later than 30th day after the Date of Grant as described above and (b) one copy of which should be submitted with your federal income tax return for the current calendar year.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Additional Shares” means any additional Common Shares issued in respect of Restricted Shares in connection with any adjustment pursuant to Section 10 hereof.

“Award” means the award described on the Grant Notice.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 10 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Employment Violation” means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Restricted Share Award to which these Award Terms are attached as Exhibit A.

“Look-back Period” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such

Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Plan” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“Recapture Amount” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all lapses of the Restrictions during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

- (i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus
- (ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date the Restrictions lapsed with respect to such Vested Shares, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 14 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“Restricted Book Entry” means a book entry on the Company’s stock register maintained by its transfer agent and registrar, which book entry shall bear a notation regarding the Restrictions as set forth in Section 15(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 15(b) hereof.

“Restricted Shares” means Common Shares subject to the Award (including any Additional Shares) as to which the Restrictions have not lapsed and which have not been forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“Restrictions” means the restrictions set forth in Section 2 hereof.

“Section 83(b) Election” means an election under Section 83(b) of the Code, or any successor provision thereto, to include the value of the Restricted Shares in taxable income for the calendar year in which the Award is granted.

“**Vested Shares**” means Common Shares subject to the Award (including any Additional Shares) as to which the Restrictions have lapsed in accordance with Section 3 or 4 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

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(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. **Restrictions.** None of the Common Shares subject to the Award (including any Additional Shares), or any right or privilege pertaining thereto, may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way not expressly permitted by these Award Terms, or subjected to execution, attachment or similar process, unless and until such restrictions thereon lapse pursuant to Section 3 or 4 hereof. Any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose of or encumber any such Common Shares, or any right or privilege pertaining thereto, in any way not expressly permitted by these Award Terms before such restrictions thereon lapse pursuant to Section 3 or 4 hereof shall be null and void and of no force and effect.

3. **Lapse of Restrictions.** Except as otherwise set forth in these Award Terms, the Restrictions shall lapse in accordance with the “Schedule for Lapse of Restrictions” set forth on the Grant Notice.

4. **Termination of Employment.** Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason, as of the date of such termination of employment the Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

5. **Tax Withholding.** The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the lapse of the Restrictions, from any Section 83(b) Election or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company’s consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company’s consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. **Voting Rights.** The holder of the Restricted Shares shall be entitled to the voting privileges associated therewith.

7. **Dividends.** Any cash dividends declared and paid on the Restricted Shares shall be paid to the holder thereof concurrently with the payment of such dividends to all other record holders of Common Shares.

8. **Receipt and Delivery; Removal of Restrictions.** Restricted Shares shall be evidenced by a Restricted Book Entry in the name of the holder of the Restricted Shares.

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Restricted Shares shall become Vested Shares at such time as the Restrictions thereon lapse in accordance with the Grant Notice and these Award Terms. As soon as practicable after the Restrictions on any Restricted Shares lapse, the Company shall cause the legend regarding the Restrictions set forth in Section 15(a) hereof to be removed from the resulting Vested Shares and cause the resulting Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend regarding securities law restrictions as set forth in Section 15(b) hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. **Committee Discretion.** Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee’s consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 10 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

10. **Adjustments.** Notwithstanding anything to the contrary contained herein, pursuant to Section 13 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

11. **Section 409A.** Payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding

the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 11 does not create an obligation on the part of the Committee or the Company to make any such modification.

12. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Shares or Vested Shares, and no Restricted Shares or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Shares or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Shares or Vested Shares, to issue or transfer Restricted Shares or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Shares or Vested Shares or resale of Restricted Shares or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

13. Transferability. Notwithstanding the Restrictions, with the Company's consent, Grantee may transfer Restricted Shares for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

14. Employment Violation. The terms of this Section 14 shall apply to the Restricted Shares if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any Restricted Shares

and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Shares and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

15. Legends.

(a) Restrictions. The Company shall cause any Restricted Book Entry evidencing the Restricted Shares to bear a notation substantially as follows:

"THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. 2007 INCENTIVE PLAN (THE "PLAN"), AND IN THE ASSOCIATED NOTICE OF RESTRICTED SHARE AWARD, INCLUDING THE RESTRICTED SHARE AWARD TERMS ATTACHED THERETO (THE "AWARD NOTICE"). A COPY OF THE PLAN AND AWARD NOTICE MAY BE OBTAINED FROM ACTIVISION BLIZZARD, INC."

(b) Securities Laws. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any Restricted Book Entry evidencing Restricted Shares or any certificate evidencing Vested Shares to bear a notation or legend, as the case may be, substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

16. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 13 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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EXHIBIT B

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

SECTION 83(b) ELECTION FORM

**Election to Include Value of Restricted Property in Gross Income
in Year of Transfer under Internal Revenue Code § 83(b)**

The undersigned (the "Taxpayer") hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the property described below and supplies the following information in accordance with the applicable federal income tax regulations:

1. The name, address and taxpayer identification number of the Taxpayer are:

Name: _____
Address: _____
Taxpayer I.D. Number: _____

2. Description of property with respect to which the election is being made:

[] shares of Common Stock, par value \$0.000001 per share, of Activision Blizzard, Inc., a Delaware corporation (the "Company").

3. Date of transfer; taxable year: The date on which property was transferred is [] . The taxable year to which this election relates is calendar year [] .

4. The nature of the restrictions to which the property is subject: The property is subject to transfer restrictions by virtue of an agreement between the Taxpayer and the Company, and the book entry on the Company's stock register evidencing the property bears a notation to that effect. Except as otherwise described below, the restrictions on the property will lapse as follows:

Schedule for Lapse of Restrictions

Date on which Restrictions Lapse	Number of Shares as to which Restrictions Lapse
First anniversary of Date of Grant	[]
Second anniversary of Date of Grant	[]
Third anniversary of Date of Grant	[]
[Fourth anniversary of Date of Grant]	[]
[Fifth anniversary of Date of Grant]	[]

Unless the Company decides otherwise, in the event that Taxpayer's employment is terminated for any reason, as of the date of such termination of employment the restrictions will cease to lapse and all restricted property will immediately be forfeited to the Company without payment of consideration by the Company.

5. Fair market value: The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made is \$[] per share.

6. Amount paid for property: Taxpayer did not pay any cash amount for the property.

7. Furnishing statement to employer: A copy of this statement has been furnished to the Company.

Instructions for Section 83(b) Election Form

1. The form must be filed with the Internal Revenue Service Center (or other IRS office) at which the Taxpayer files his or her federal income tax return and with the Company, in each case no later than the 30th day after the date of grant set forth on the Notice of Restricted Share Award to which this Section 83(b) Election Form is attached as Exhibit B.
2. In addition, the Taxpayer must submit one copy of the form with his or her federal income tax return for the year in which the date of grant occurred.
3. The Section 83(b) election, once made, is irrevocable, unless the Internal Revenue Service consents to the revocation.
4. The Taxpayer must *sign* the form.

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: []
- Total number of Restricted Share Units awarded: []
- Date of Grant: []
- Grant ID: []

- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.

[Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]

Schedule for Vesting: Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in full on **[third anniversary of Date of Grant]**, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date. Notwithstanding the foregoing, the following number of the Restricted Share Units awarded to you will vest on a date established by the Committee upon its determination that the corresponding event has occurred, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date:

No. of Restricted Share Units That Vest	Event Causing Restricted Share Units to Vest
25% of total number	Achievement of the Company's "Annual Operating Plan" operating income objectives for [] as established by the Committee on or prior to the 90 th day of such year.
25% of total number	Achievement of the Company's "Annual Operating Plan" operating income objectives for [] as established by the Committee on or prior to the 90 th day of such year.

- **Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.**
- **Please return the signed Notice of Restricted Share Unit Award to the Company at:**

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

By: _____
 Title: _____
 Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Employment Violation” means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“Look-back Period” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Plan” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“Recapture Amount” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 12 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“Restricted Share Units” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“Vested Shares” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“Withholding Taxes” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. **Vesting.** Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment. Unless the Committee determines otherwise, in the event that Grantee's employment is terminated for any reason, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company's consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate

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evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any

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securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and

these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Employment Violation. The terms of this Section 12 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any Restricted Share Units and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of

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Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

14. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

16. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those

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expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the “Company”), as follows:

- Your name: [_____]
- Total number of Restricted Share Units awarded: **10,000**
- Date of Grant: [_____]
- Grant ID: [_____]

Your Award of Restricted Share Units is governed by the terms and conditions set forth in:

- this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the “Award Terms”); and
 - the Company’s 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you continuously serve as a member of the Board of Directors through each such date:

Schedule for Vesting

<u>Date of Vesting</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
3 months after Date of Grant	1,250	1,250
6 months after Date of Grant	1,250	2,500
9 months after Date of Grant	1,250	3,750
First anniversary of Date of Grant	1,250	5,000
15 months after Date of Grant	1,250	6,250
18 months after Date of Grant	1,250	7,500
21 months after Date of Grant	1,250	8,750
Second anniversary of Date of Grant	1,250	10,000

· *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*

· *Please return the signed Notice of Restricted Share Unit Award to the Company at:*

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

Ann E. Weiser
Chief Human Resources Officer

Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” means “permanent and total disability” as defined in section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Separation from Service**” means separation from service within the meaning of Section 409A of the Code.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. **Vesting.** Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. **Termination of Service.**

(a) **Death or Disability.** In the event that Grantee incurs a Separation from Service due to death or Disability, the Restricted Share Units shall immediately vest as of the date of Grantee’s death or the first date of Grantee’s Disability (as determined by the Committee), as the case may be.

(b) **Change of Control.** In the event that Grantee incurs a Separation from Service pursuant to the terms of any business combination or similar transaction involving the Company, the Restricted Share Units shall immediately vest as of the date of such Separation from Service.

(c) **Other.** Unless the Committee determines otherwise, in the event that Grantee incurs a Separation from Service for any reason not addressed by Section 3(a) and 3(b) hereof, as of the date of such Separation from Service all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. **Tax Withholding.** The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company’s consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company’s consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company

or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3(c) hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after (a) with respect to the portion of the Restricted Share Units that vest on or before the first anniversary of the Date of Grant either in accordance with the "Schedule for Vesting" set forth on the Grant Notice or due to a Separation from Service pursuant to Section 3 hereof, the earlier of (i) the first anniversary of the Date of Grant and (ii) the date of Grantee's Separation from Service and (b) with respect to the portion of the Restricted Share Units that vest after the first anniversary of the Date of Grant either in accordance with the "Schedule for Vesting" set forth on the Grant Notice or due to a Separation from Service pursuant to Section 3 hereof, the earlier of (i) the second anniversary of the Date of Grant and (ii) the date of Grantee's Separation from Service, the Company shall (A) effect the issuance or transfer of the Vested Shares, (B) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (C) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be

made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted

Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date

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that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Service. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to continued service on the Board or derogate from any right of the Company's stockholders to remove Grantee from the Board at any time, with or without cause.

15. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to

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time; and (b) if to Grantee, at the address shown on the records of the Company or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Plan. In the event of any conflict between the terms of the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: [_____]
- Total number of Restricted Share Units awarded: **5,000**
- Date of Grant: [_____]
- Grant ID: [_____]

- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.

· *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you continuously serve as a member of the Board of Directors through each such date:

Schedule for Vesting

<u>Date of Vesting</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
3 months after Date of Grant	1,250	1,250
6 months after Date of Grant	1,250	2,500
9 months after Date of Grant	1,250	3,750
First anniversary of Date of Grant	1,250	5,000

· *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*

· *Please return the signed Notice of Restricted Share Unit Award to the Company at:*

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

 Ann E. Weiser
 Chief Human Resources Officer

Date: _____

ACCEPTED AND AGREED:

 [Name of Grantee]

Date: _____

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” means “permanent and total disability” as defined in section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Separation from Service**” means separation from service within the meaning of Section 409A of the Code.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Service.

(a) Death or Disability. In the event that Grantee incurs a Separation from Service due to death or Disability, the Restricted Share Units shall immediately vest as of the date of Grantee’s death or the first date of Grantee’s Disability (as determined by the Committee), as the case may be.

(b) Change of Control. In the event that Grantee incurs a Separation from Service pursuant to the terms of any business combination or similar transaction involving the Company, the Restricted Share Units shall immediately vest as of the date of such Separation from Service.

(c) Other. Unless the Committee determines otherwise, in the event that Grantee incurs a Separation from Service for any reason not addressed by Section 3(a) and 3(b) hereof, as of the date of such Separation from Service all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company’s consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company’s consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company

or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3(c) hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after the earlier of (i) the first anniversary of the Date of Grant and (ii) the date of Grantee's Separation from Service, the Company shall (A) effect the issuance or transfer of the Vested Shares, (B) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (C) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements

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of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice

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and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or

penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

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13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Service. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to continued service on the Board or derogate from any right of the Company's stockholders to remove Grantee from the Board at any time, with or without cause.

15. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on the records of the Company or such other

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address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Plan. In the event of any conflict between the terms of the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

FOR FRENCH RESIDENT DIRECTORS

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: []
- Total number of Restricted Share Units awarded: **5,000**
- Date of Grant: []
- Grant ID: []
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you continuously serve as a member of the Board of Directors through each such date:

Schedule for Vesting

Date of Vesting	No. of Restricted Share Units Vesting at Vesting Date	Cumulative No. of Restricted Share Units Vested at Vesting Date
3 months after Date of Grant	1,250	1,250
6 months after Date of Grant	1,250	2,500
9 months after Date of Grant	1,250	3,750
First anniversary of Date of Grant	1,250	5,000

Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.

Please return the signed Notice of Restricted Share Unit Award to the Company at:

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

Ann E. Weiser
Chief Human Resources Officer

Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

FOR FRENCH RESIDENT DIRECTORS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” means “permanent and total disability” as defined in section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these

Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Separation from Service**” means separation from service within the meaning of Section 409A of the Code.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, U.S. social security and Medicare taxes, U.S. federal, state and local income taxes and any non-U.S. taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Service.

(a) Death or Disability. In the event that Grantee incurs a Separation from Service due to death or Disability, the Restricted Share Units shall immediately vest as of the date of Grantee’s death or the first date of Grantee’s Disability (as determined by the Committee), as the case may be.

(b) Change of Control. In the event that Grantee incurs a Separation from Service pursuant to the terms of any business combination or similar transaction involving the Company, the Restricted Share Units shall immediately vest as of the date of such Separation from Service.

(c) Other. Unless the Committee determines otherwise, in the event that Grantee incurs a Separation from Service for any reason not addressed by Section 3(a) and 3(b) hereof, as of the date of such Separation from Service all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares, the payment of dividend equivalents in accordance with Section 6 hereof or otherwise in connection with the Award at the time such Withholding Taxes become due. Unless the Company determines that any Withholding Taxes contemplated by this Section 4 have to be satisfied in a particular manner under applicable law, Grantee shall be entitled to satisfy any Withholding Taxes (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company’s consent, through the

delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's other compensation, if any, any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3(c) hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after the earlier of (i) the first anniversary of the Date of Grant and (ii) the date of Grantee's Separation from Service, the Company shall (A) effect the issuance or transfer of the Vested Shares, (B) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (C) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively

or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

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13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. Nature of Grant. By accepting the Award, Grantee acknowledges that:

(a) nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to continued service on the Board or derogate from any right of the Company's stockholders to remove Grantee from the Board at any time, with or without cause.

(b) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and/or these Award Terms;

(c) the grant of the Restricted Share Units is occasional and does not create any contractual or other right to receive future grants of rights to receive Common Shares, or benefits in lieu of rights to receive Common Shares, even if rights to receive Common Shares have been granted repeatedly in the past;

(d) all decisions with respect to future grants of rights to receive Common Shares, if any, will be at the sole discretion of the Company;

(e) Grantee's participation in the Plan is voluntary;

(f) the Restricted Share Units are not part of normal or expected compensation or salary for any purpose, including, without limitation, the calculation of any severance, resignation, termination, redundancy, end of service payment, bonus, long-service award, pension or retirement or welfare benefit or similar payments, and in no event should the Restricted Share Units be considered as compensation for, or relating in any way to, past services for the Company;

(g) the Restricted Share Unit grant and Grantee's participation in the Plan will not be interpreted to form an employment relationship with the Company or with any subsidiary or affiliate of the Company;

(h) the future value of the underlying Common Shares is unknown and cannot be predicted with certainty;

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(i) in consideration of the Award, no claim or entitlement to compensation or damages shall arise from termination of the Award (for any reason whatsoever and whether or not in breach of any law) and Grantee irrevocably releases the Company from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, Grantee shall be deemed irrevocably to have waived Grantee's entitlement to pursue such claim;

(j) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Grantee's participation in the Plan, or Grantee's acquisition or sale of the underlying Common Shares; and

(k) Grantee is hereby advised to consult with Grantee's own personal tax, legal and financial advisors regarding Grantee's participation in the Plan before taking any action related to the Plan.

15. Data Privacy. *Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Grantee's personal data as described in the Grant Notice and these Award Terms by and among the Company and any subsidiary or affiliate for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan.*

Grantee understands that the Company may hold certain personal information about Grantee, including, without limitation, Grantee's name, home address and telephone number, date of birth, social insurance or other identification number, nationality, any directorships held in the Company or any of its

subsidiaries or affiliates, any Shares owned, details of all Restricted Share Units or any other entitlement to the Common Shares awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor, for the purpose of implementing, administering and managing the Plan (the "Data").

Grantee understands that Data will be transferred to the Equity Account Administrator, which is assisting the Company with the implementation, administration and management of the Plan. Grantee understands that the recipients of the Data may be located in Grantee's country, or elsewhere, and that any recipient's country may have different data privacy laws and protections than Grantee's country. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Stock Plan Administration. Grantee authorizes the Company, the Equity Account Administrator and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that the Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan. Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting Stock Plan Administration in writing. Grantee understands, however, that refusal or withdrawal of consent may affect Grantee's ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or

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withdrawal of consent, Grantee understands that Grantee may contact Stock Plan Administration.

16. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law and Venue. To the extent that U.S. federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or these Award Terms, the parties submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Los Angeles County, California or the federal courts of the United States for the Central District of California and no other courts, irrespective of where the Award is made and/or to be performed.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on the records of the Company or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. Conflict with Plan. In the event of any conflict between the terms of the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

23. Language Consent. By executing and submitting the Grant Notice, Grantee confirms that he or she has read and understood the documents relating to the Restricted Share

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Units (the Grant Notice, the Plan, and the Award Terms) which were provided in the English language. Grantee accepts the terms of these documents accordingly.

Consentement relatif à la langue utilisée: En signant et en renvoyant la Notification d'Attribution, le Bénéficiaire confirme qu'il ou qu'elle a lu et compris les documents afférents aux Attributions Gratuites d'Actions (la Notification d'Attribution, le Plan et les Termes de l'Attribution) qui sont produits en langue anglaise. Le Bénéficiaire accepte les termes de ces documents en connaissance de cause.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: []
- Total number of Restricted Share Units awarded: []
- Date of Grant: []
- Grant ID: []

- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.

[Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]

Schedule for Vesting: Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

<u>Date of Vesting</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
First anniversary of Date of Grant	[]	[]
Second anniversary of Date of Grant	[]	[]
Third anniversary of Date of Grant	[]	[]
[Fourth anniversary of Date of Grant]	[]	[]
[Fifth anniversary of Date of Grant]	[]	[]

· *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*

· *Please return the signed Notice of Restricted Share Unit Award to the Company at:*

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

By: _____
 Title: _____
 Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Employment Violation**” means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Look-back Period**” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Recapture Amount**” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 12 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment. Unless the Committee determines otherwise, in the event that Grantee's employment is terminated for any reason, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company's consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate

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evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any

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securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and

these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Employment Violation. The terms of this Section 12 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any Restricted Share Units and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of

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Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

14. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

16. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those

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expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

**AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT**

AMENDMENT, dated as of July 7, 2008 (the "Effective Date"), by and between ACTIVISION, INC., a Delaware corporation (the "Company"), and ROBERT A. KOTICK (the "Executive").

WHEREAS, the Company and the Executive have entered into an Employment Agreement, dated as of December 1, 2007 (the "Employment Agreement"); and

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders, and the Executive has determined that it is in his best interests, to enter into an amendment to the Employment Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Section 6 of the Employment Agreement shall be deleted in its entirety and the following inserted in place thereof:

6. Performance Shares

(a) **Grant.** On the Consummation Date, the Company shall grant the Executive one million two hundred and fifty thousand (1,250,000) shares of restricted Company Common Stock (the "**Performance Shares**") pursuant to the 2007 Plan, and in accordance with, the provisions of this Agreement. The Executive shall have no entitlement to the Performance Shares if the Combination Transactions are not consummated on or prior to December 31, 2008.

(b) **Vesting.** Subject to the provisions of this Agreement, the Performance Shares shall vest in five (5) twenty percent (20%) increments on each of the first, second, third and fourth anniversaries of the Consummation Date, and on the Expiration Date (each such anniversary and the Expiration Date, a "**Performance Vesting Date**"), in each case subject to the Company achieving or exceeding the Compound Annual Total Shareholder Return targets (the "**Performance Targets**") at the end of the applicable performance period shown in the following schedule (each, a "**Performance Period**"):

<u>Performance Period</u>	<u>Performance Target</u>	<u>Number of Performance Shares to Vest Upon Attainment of Performance Target</u>
For the Performance Period Beginning on the Consummation Date and Ending on the:	Compound Annual Total Shareholder Return to be attained at the End of Performance Period*	
1 st anniversary of the Consummation Date	0%	250,000
2 nd anniversary of the Consummation Date	5%	250,000
3 rd anniversary of the Consummation Date	7.5%	250,000
4 th anniversary of the Consummation Date	15%	250,000
Expiration Date	18%	250,000

*Subject to termination of employment provisions below.

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; provided, however, that if the Company fails to achieve a Performance Target as of the last day of an applicable Performance Period (each such Performance Period, a "**Missed Performance Period**"), but achieves the Performance Target required to be attained for a subsequent Performance Period, then, on the applicable subsequent Performance Vesting Date, the Executive shall vest in all Performance Shares for the applicable Performance Period and all prior Missed Performance Periods to the extent not already vested.

Subject to Sections 6(c) and 10(b), vesting of the Performance Shares is also subject to the Executive remaining continuously employed by the Company Group through the end of the applicable Performance Period. The Company's compound annual total shareholder return shall be as reported by Bloomberg L.P. (or such other comparable reporting service that the Compensation Committee may designate from time to time). On the date that one or more of the Performance Share no longer have the possibility of vesting pursuant to the terms of this Agreement, such Performance Shares, shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) **Termination of Employment.** To the extent not previously vested under Section 6(b) as of the Date of Termination, upon a termination of employment with the Company Group pursuant to Section 7(a), 7(b), 7(c) or 7(f) (other than a termination following a Change of Control (as defined in Section 10)), the Executive shall vest in a number of the Performance Shares determined as follows:

- (i) If the Date of Termination occurs during the Performance Period ending on the first anniversary of the Consummation Date (the "**First Performance Period**"), (A) the Executive shall vest in one hundred (100%) percent of the Performance Shares applicable to the First Performance Period and (B) all Performance Periods following the First Performance Period shall be treated as Remaining Performance Periods (as defined below) pursuant to Section 6(c)(iv)).
- (ii) If the Date of Termination occurs during the Performance Period ending on the second anniversary of the Consummation Date (the "**Second Performance Period**"):

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- (A) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination (as defined in Section 8) equals or exceeds the Performance Target that is required to be achieved for the Second Performance Period, then all of the Performance Shares that would have vested had the Executive remained employed through the last day of the Second Performance Period shall vest on the Date of Termination;

- (B) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination is less than the Performance Target that is required to be achieved for the Second Performance Period, but the Compound Annual Total Shareholder Return through the end of the Second Performance Period (determined at the end of the Second Performance Period) equals or exceeds the Performance Target for the Second Performance Period, then all of the Performance Shares that would have vested had the Executive remained employed through the last day of the Second Performance Period shall vest on the last day of the Second Performance Period; and
 - (C) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination equals or exceeds the Performance Target that is required to be achieved for the Performance Period ending on the third anniversary of the Consummation Date (the “**Third Performance Period**”), the Performance Shares that would have vested had the Executive remained employed through the end of the Third Performance Period shall vest on the Date of Termination.
- (iii) If the Termination Date occurs during any of the Performance Periods ending on the third or fourth anniversary of the Consummation Date or the Expiration Date (each, a “**Termination Performance Period**”):
- (A) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination equals or exceeds the Performance Target that is required to be achieved for the Termination Performance Period in which the Date of Termination occurred, then all of the Performance Shares that would have vested had the Executive remained employed through the last day of such Termination Performance Period shall vest on the Date of Termination;
 - (B) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination is less than the Performance Target that is required to be achieved for the Termination Performance Period in which the Date of Termination occurred, but the Compound Annual Total Shareholder Return

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through the end of such Termination Performance Period (determined at the end of such Termination Performance Period) equals or exceeds the Performance Target for such Termination Performance Period, then all of the Performance Shares that would have vested had the Executive remained employed through the last day of such Termination Performance Period shall vest on the last day of such Termination Performance Period;

- (C) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination equals or exceeds the Performance Target that is required to be achieved for the Performance Period immediately following the Termination Performance Period in which the Date of Termination occurred, if any (the “**Subsequent Performance Period**”), the Performance Shares that would have vested had the Executive remained employed through the end of the Subsequent Performance Period shall vest on the Date of Termination; and
 - (D) If the Compound Annual Total Shareholder Return through the day immediately preceding the Date of Termination is less than the Performance Target that is required to be achieved for the Subsequent Performance Period, but the Compound Annual Total Shareholder Return through the end of the Termination Performance Period (determined at the end of the Termination Performance Period) equals or exceeds the Performance Target for the Subsequent Performance Period, then all of the Performance Shares that would have vested had the Executive remained employed through the last day of the Subsequent Performance Period shall vest on the last day of the Termination Performance Period.
- (iv) To the extent vesting did not occur pursuant to Sections 6(c)(i), 6(c)(ii), or 6(c)(iii), if the Company attains or exceeds the Performance Targets (determined at the end of the applicable Performance Period) for any Performance Periods following the Performance Period in which the Date of Termination occurs, if any (each, a “**Remaining Performance Period**”), then a Prorated Portion (as defined below) of the Performance Shares that would have vested had the Executive remained employed through the last day of such Remaining Performance Period(s) shall vest on such date. The “**Prorated Portion**” shall be determined using a fraction, the numerator of which is the number of days beginning on the Consummation Date and ending on the Date of Termination and the denominator of which is the number of days beginning on the Consummation Date and ending on the Expiration Date.

2. Sections 9(a)(vii), 9(b)(viii), 9(d)(viii) 6 of the Employment Agreement shall be deleted in its entirety and the following inserted in place

thereof:

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“The Performance Shares shall be treated in accordance with Section 6(c) hereof.”

- 3. Section 9(c)(ii) of the Employment Agreement shall be deleted in its entirety.
- 4. Section 10(b) (v) of the Employment Agreement shall be deleted in its entirety.

5. This Amendment shall be effective as of the Effective Date.

6. All capitalized terms used herein that are not otherwise defined in this Amendment shall have the meanings assigned to them in the Agreement, as amended hereby.

7. Except as set forth in this Amendment, the Agreement shall remain in full force and effect in accordance with its terms.

8. This Amendment may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute the same instrument.

IN WITNESS WHEREOF, the Company has caused this Amendment to be signed by its officer pursuant to the authority of its Board, and the Executive has executed this Amendment, as of the day and year first written above.

ACTIVISION, INC.

By: /s/ George L. Rose
Name: George L. Rose
Title: Secretary

EXECUTIVE

 /s/ Robert A. Kotick
ROBERT A. KOTICK



activision.com

3100 Ocean Park Boulevard
Santa Monica, California 90405

Tel: 310.255.2000

Fax: 310.255.2100

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**") is entered into this 8th day of July 2008, between Activision Publishing, Inc. (the "**Employer**") and Ronald Doornink ("**you**").

RECITAL

The Employer desires to employ you, and you desire to be so employed by the Employer, on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises set forth in this Agreement, the Employer and you hereby agree as follows:

1. Term of Employment

(a) The term of your employment under this Agreement (the "**Term**") shall commence on July 8, 2008 (the "**Effective Date**") and shall end on June 30, 2009 (or such earlier date on which your employment is terminated under Section 9). Thereafter, this Agreement shall be automatically extended on its anniversary date for consecutive one (1) year periods unless either party gives the other party a notice of its election not to renew this Agreement no later than thirty (30) days prior to its expiration. Any extension of this Agreement shall constitute the "**Term**" as defined in this Agreement.

(b) Except as set forth in Section 10(t), upon the expiration of the Term (or such earlier date on which your employment is terminated pursuant to Section 9) all obligations and rights under this Agreement shall immediately lapse. If your employment continues beyond the expiration of the Term, you shall be an at-will employee whose employment may be terminated by either of the parties to this Agreement at any time for any reason.

2. Compensation

(a) Subject to the provisions of this Agreement, in full consideration for all rights and services provided by you under this Agreement, during the Term you shall receive the compensation set forth in this Section 2. On each anniversary of the Effective Date during the Term (or such other times during the Term as the Compensation Committee (the "**Compensation Committee**") of the Board of Directors of Activision, Inc. ("**Activision**") deems appropriate), your compensation may be reviewed and may be adjusted by an amount determined by the Compensation Committee, in its sole and absolute discretion

(b) You shall receive an annual base salary of \$250,000 (the "**Base Salary**") paid in accordance with the Employer's payroll policies in effect from time to time.

(c) You may be eligible to receive an annual discretionary bonus (the "**Annual Bonus**") as determined in its discretion and approved in writing by the Compensation Committee of the Board of Directors of Activision. The Annual Bonus will be paid at the same time bonuses are generally paid to

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other employees, but in no event later than the 15th day of the third month of the year following the fiscal year to which the Annual Bonus relates. Except as otherwise set forth in this Agreement, you must remain continuously employed by the Employer or Activision or any subsidiary, affiliate or successor thereto (the "**Activision Group**") through the date on which the Annual Bonus is paid to be eligible to receive any such Annual Bonus.

(d) Subject to the approval of the Compensation Committee, Activision will grant to you a non-qualified stock option to purchase 10,000 shares of Activision's common stock (the "**Options**") and 5,000 restricted share units which represent the conditional right to receive shares of Activision's common stock (the "**RSUs**", and collectively with the Options, the "**Equity Awards**").

- (i) The Options will vest ratably every three months over the one-year period from the date of grant, subject to your remaining employed by the Activision Group through each vesting date.
- (ii) The RSUs will vest ratably every three months over the one-year period from the date of grant, subject to your remaining employed by the Activision Group through each vesting date, and will settle during the calendar year in which vesting occurs.

You acknowledge that the Equity Award grants made pursuant to this Section 2(d) are expressly conditioned upon approval by the Compensation Committee, and that the Compensation Committee has discretion to approve or disapprove the grants and/or to determine and make modifications to the terms of the grants. The Equity Awards shall be subject to all terms of the Activision 2007 Incentive Plan (the "**Plan**") and Activision's standard forms of employee award agreements. In the event of a conflict between this Agreement and the terms of the Plan or award agreements, the Plan or the award agreements, as applicable, shall govern.

3. Title; Location

During the Term, you shall serve as Senior Advisor. Your principal place of business shall be the Employer's headquarters in Santa Monica, California.

4. Duties

(a) You shall report directly to the Board of Directors of Activision. In connection with your duties, you will, without limitation, advise, consult and provide direction on the following matters to the Board of Directors and executive management of Employer: Mergers & Acquisitions, Financings, Annual Operating Plans, OGSP materials, Three-Year Plans, Strategic Plans, Compensation Policies, Processes and Plans, Organizational Structure and Design, Succession Plans and such other matters that the members of the Board of Directors of Activision or executive management of Employer may from time to time request assistance on in the discharge of their duties.

(b) During the Term you shall devote such time as may be reasonably required from time to time to discharge your duties hereunder, shall faithfully serve the Activision Group, shall in all respects conform to and comply with the lawful directions and instructions given to you in good faith by the Board of Directors of Activision. Notwithstanding the forgoing, during the Employment Period you shall be permitted to engage in any activity which is not inconsistent with Activision Group's interests and prospects, including, without limitation, (a) serving on civic or charitable boards or committees; (b) serving as a director of any company that is not in a Competitive Business; (c) delivering lectures, fulfilling speaking engagements or teaching at educational institutions; (d) serving as an officer or director of closely-held private companies that are not in a Competitive Business (as defined below); and (e) attending conferences conducted by business organizations; provided, however, that such activity does

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not interfere with the performance of your duties and responsibilities hereunder. As used herein, the term "**Competitive Business**" shall mean any business engaged in the interactive entertainment software business, including, without limitation: the development, publishing, financing, promotion, distribution or sale of interactive entertainment software products; engaging in the Internet and other forms of on-line gaming business regardless of methods of on-line delivery; and engaging in wireless or other forms of alternative delivery or distribution of interactive entertainment software products.

5. **Expenses**

To the extent you incur necessary and reasonable travel or other business expenses in the course of your employment, you shall be reimbursed for such expenses, upon presentation of written documentation in accordance with the Employer's policies in effect from time to time.

6. **Other Benefits**

(a) During the Term you shall be eligible to participate in all health, welfare, retirement, pension, life insurance, disability and similar plans, programs and arrangements generally available to employees of the Employer, subject to the then-prevailing terms, conditions and eligibility requirements of each such plan, program, or arrangement.

(b) During the Term, you will be eligible to participate in all perquisite programs generally available from time to time to employees of the Employer, subject to the then-prevailing terms, conditions and eligibility requirements of each such program.

(c) You expressly agree and acknowledge that after the expiration of the Term (or such earlier date on which your employment is terminated pursuant to Section 9), you are entitled to no additional benefits, except as specifically provided in this Agreement and the benefit plans in which you participate during the Term, and subject in each case to the then-prevailing terms and conditions of each such plan.

7. **Vacation and Paid Holidays**

You will be entitled to paid vacation days and holidays in accordance with the policies of the Employer in effect from time to time.

8. **Protection of the Employer's Interests**

(a) **Duty of Loyalty.** During the Term, you will owe a "**Duty of Loyalty**" to the Employer, which includes, but is not limited to, your not competing in any manner, whether directly or indirectly, as a principal, employee, agent, owner, or otherwise, with the Employer or any entity in the Activision Group.

(b) **Policy Compliance.** You confirm that you have read, understand and will comply with the Employer's policies, procedures, rules and regulations in effect from time to time, including, without limitation, the Code of Business Conduct and Ethics, as amended from time to time.

(c) **Property of the Employer.** All rights worldwide with respect to any and all intellectual or other property of any nature produced, created or suggested by you during the Term or resulting from your services which (i) relate in any manner at the time of conception or reduction to practice to the actual or demonstrably anticipated business of the Activision Group, (ii) result from or are suggested by any task assigned to you or any work performed by you on behalf of the Activision Group, or (iii) are based on any property owned or idea conceived by the Activision Group, shall be deemed to be a work made for hire and shall be the sole and exclusive property of the Activision Group. You agree to execute, acknowledge

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and deliver to the Employer, at the Employer's request, such further documents, including copyright and patent assignments, as the Employer finds appropriate to evidence the Employer's rights in such property. Your agreement to assign to the Employer any of your rights as set forth in this Section 8(c) shall not apply to any invention that qualifies fully under the provisions of California Labor Code Section 2870, where no equipment, supplies, facility or trade secret information of the Employer were used and that was developed entirely upon your own time, and that does not relate to the Employer's business, and that does not result from any work performed by you for the Employer.

(d) **Confidentiality.** No confidential or proprietary information of any entity in the Activision Group shall be used by you or disclosed or made available by you to any person except as required in the course of your employment, and upon the termination of your employment (or at any time on the Employer's request), you shall return to the Employer all such information that exists, whether in electronic, written, or other form (and all copies thereof) under your control. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the Activision Employee Proprietary Information Agreement attached as Exhibit A hereto (the "**Proprietary Information Agreement**") as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein.

(e) **Return of Property and Resignation from Office.** You acknowledge that, upon termination of your employment for any reason whatsoever (or at any time on the Employer's request), you will promptly deliver to the Employer or surrender to the Employer's representative all property of any entity in the

Activision Group, including, without limitation, all documents and other materials (and all copies thereof) relating to the Activision Group's business, all identification and access cards, all contact lists and third party business cards however and wherever preserved, and any equipment provided by any entity in the Activision Group, including, without limitation, computers, telephones, personal digital assistants, memory cards and similar devices which you possess or have in your custody or under your control. You also agree to resign from any office held by you within the Activision Group immediately upon termination of your employment for any reason whatsoever (or at any time on the Employer's request) and you irrevocably appoint any person designated as Employer's representative at that time as your delegate to effect your resignation from office in such circumstances.

(f) **Covenant Not to Solicit.**

- (i) During your employment, you shall not, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, shareholder, director, employee, consultant or otherwise, directly or indirectly: (a) offer employment to, or directly or indirectly solicit the employment or engagement of, or otherwise entice away from the employment of the Activision Group, either for your own account or for any other person, firm or company, any person employed by the Activision Group, whether or not such person would commit any breach of a contract by reason of his or her leaving the service of the Activision Group; or (b) solicit, induce or entice any client, customer, contractor, licensor, agent, partner or other business relationship of the Activision Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with any entity in the Activision Group.
- (ii) For a period of one (1) year following the termination of your employment for any reason whatsoever, you shall not, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, shareholder, director, employee, consultant or otherwise, directly or indirectly solicit the employment or engagement of, either for your own account or for any other person, firm or company, any person employed by the Activision Group, whether or not such

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person would commit any breach of a contract by reason of his or her leaving the service of any entity in the Activision Group.

- (iii) During your employment and at all times following the termination of your employment for any reason whatsoever, you shall not use the confidential, trade secret information of the Activision Group or any other unlawful means to directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, partner or other business relationship of the Activision Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with any entity in the Activision Group.
- (iv) You expressly acknowledge and agree that the restrictions contained in this Section 8(g) are reasonably tailored to protect the Activision Group's confidential information and trade secrets, and are reasonable in all circumstances in scope, duration and all other respects. It is expressly agreed by the parties that if for any reason whatsoever any one or more of such restrictions shall (either taken by itself or themselves together) be adjudged to go beyond what is legally permissible for the protection of the legitimate interests of the Activision Group, that the prohibitions shall be in effect and upheld to the fullest extent permissible under applicable laws. The provisions of this Section 8(g) shall survive the expiration or earlier termination of this Agreement.

9. Termination of Employment

(a) **Resignation by Employee.** You promise not to resign your employment prior to the Expiration Date. If you do resign the Employer may accept your resignation effective as of any date it determines.

(b) **By the Employer for Cause.** At any time during the Term, the Employer may terminate your employment for "**Cause**", which shall include, but not be limited to, a good-faith determination by the Employer that you:

- (i) engaged in willful, reckless or gross misconduct;
- (ii) materially breached this Agreement or any other agreement between the Employer or the Activision Group and you;
- (iii) committed, were convicted of, or pled no contest to a felony or crime involving dishonesty or moral turpitude;
- (iv) breached your Duty of Loyalty;
- (v) violated any material Activision Group policy; or
- (vi) materially failed to follow any lawful directive of the Board of Directors of Activision.

If your employment terminates for any reason other than a termination by the Employer for Cause, at a time when the Employer had Cause to terminate you (or would have had Cause if it then knew all relevant facts), your termination shall be treated as a termination by the Employer for Cause.

(c) **By the Employer Without Cause.** The Employer may terminate your employment without Cause at any time during the Term and such termination shall not be deemed a breach by the

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Employer of any term of this Agreement or any other duty or obligation, expressed or implied, which the Employer may owe to you pursuant to any principle or provision of law.

(d) **Death.** In the event of your death during the Term, your employment shall terminate immediately as of the date of your death.

(e) **Termination of Obligations.** In the event of the termination of your employment under this Agreement pursuant to this Section 9 all obligations of Employer to you under this Agreement shall immediately terminate, except as provided below:

- (i) If your employment terminates for any reason other than under Section 9(c), the Employer shall pay or provide you within 60 days after the date of your termination of employment (a) any Base Salary earned but unpaid as of the date of your termination, (b) any earned but unpaid Annual Bonus for any fiscal year that ended prior to your termination, (c) payment in lieu of any vacation accrued under Section 7 but unused as of the date of your termination, (d) any business expenses incurred but not reimbursed under Section 5 as of the date of your termination, and (e) any amounts or benefits under any Activision Group compensation, incentive, or benefit plans vested but not paid as of the date of your termination.
- (ii) If your employment terminates under Section 9(c), the Employer shall pay you (a) the amounts described in clause (i) of this Section 9(e) and (b) an amount equal to the Base Salary (at the rate in effect on the date of your termination) that you would have received had you remained employed until the last date of the Term in equal installments commencing on the first payroll pay date following your termination of employment in accordance with the Employer's payroll practices then in effect on the date of your termination; *provided, however*, that you must sign a waiver and release agreement in a form prepared by the Employer in its sole discretion in order to receive the amounts set forth in this Section 9(e)(ii)(b). If the waiver and release agreement executed by you has not become effective and irrevocable at the time an installment payment is otherwise due (for example, as a result of the applicable revocation period not having expired), payment of such installment will be delayed until such waiver and general release becomes effective and irrevocable in its entirety. The Employer will pay any installments that were due prior to the effective date of the waiver and general release in a lump sum on the date scheduled for payment of the next installment.

10. General Provisions

(a) **Entire Agreement.** This Agreement and the Proprietary Information Agreement, supersedes all prior or contemporaneous agreements and statements, whether written or oral, concerning the terms of your employment with the Activision Group, and no amendment or modification of these agreements shall be binding unless it is set forth in a writing signed by both the Employer and you. To the extent that this Agreement conflicts with any of the Employer's policies, procedures, rules or regulations, this Agreement shall supersede the other policies, procedures, rules or regulations. Without limiting the generality of the foregoing, you acknowledge that this Agreement supersedes your prior written agreement with the Activision Group dated July 22, 2002, as amended and such agreement is hereby terminated and of no further force and effect.

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(b) **Use of Employee's Name, Voice and Likeness.** You hereby irrevocably grant Employer the right, but not the obligation, to use your name, voice or likeness for any publicity or advertising purpose.

(c) **Assignment.** The Employer may assign this Agreement or all or any part of its rights and obligations under this Agreement to any entity which succeeds to all or substantially all of the Employer's stock or assets (whether by merger, acquisition, consolidation, reorganization or otherwise) and following such assignment all references to the Employer shall be deemed to refer to such assignee and the Employer shall thereafter have no obligation under this Agreement.

(d) **No Conflict with Prior Agreements.** You represent to the Employer that neither your commencement of employment under this Agreement nor the performance of your duties under this Agreement conflicts or will conflict with any contractual or legal commitment on your part to any third party, nor does it or will it violate or interfere with any rights of any third party.

(e) **Successors.** This Agreement shall be binding on and inure to the benefit of the Employer and its successors and assigns. This Agreement shall also be binding on and inure to the benefit of you and your heirs, executors, administrators and legal representatives.

(f) **Waiver.** No waiver by you or the Employer at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(g) **Prevailing Law.** Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law and wherever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation, the latter shall prevail, but in such event the provision of this Agreement affected shall be curtailed and limited only to the extent necessary to bring it within legal requirements.

(h) **Expiration.** This Agreement does not constitute a commitment of the Employer with regard to your employment, express or implied, other than to the extent expressly provided for herein. Upon the expiration of the Term, or, if earlier, the termination of this Agreement pursuant to Section 9, it is the contemplation of both parties that your employment with the Activision Group shall cease, and that neither the Employer nor you shall have any obligation to the other with respect to your continued employment.

(i) **Taxation.** The Employer may withhold from any payments made under the Agreement all federal, state, city or other applicable taxes or amounts as shall be required or permitted pursuant to any law, governmental regulation or ruling or agreement with you.

(j) **Choice of Law.** Except to the extent governed by Federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to conflict of law principles.

(k) **Immigration.** In accordance with the Immigration Reform and Control Act of 1986, employment under this Agreement is conditioned upon satisfactory proof of your identity and legal ability to work in the United States.

(l) **Arbitration.** All disputes relating to your employment (or its termination), including disputes relating to your employment and this Agreement, shall be resolved by final and binding

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arbitration in accordance with this Section 10(l). The arbitration will be conducted by an impartial arbitrator experienced in employment law selected from the JAMS panel of arbitrators in accordance with JAMS then-current employment arbitration rules (except as otherwise provided in this Section 10(l)). You understand that the Employer and you are waiving the right to institute a court action, except for requests for injunctive relief pending arbitration, and understand that the

Employer and you are giving up any right to a jury trial. The arbitrator's award and opinion shall be in writing and in the form typically rendered in labor and employment arbitrations.

The Employer will pay any filing fee and the fees and costs of the arbitrator, unless you initiate the claim, in which case you only will be required to contribute an amount equal to the filing fee for a claim initiated in a court of general jurisdiction in the State of California. The arbitrator shall award attorneys' fees and costs to the prevailing party, unless prohibited by applicable law. This arbitration obligation shall not prohibit the Employer or you from filing a claim with an administrative agency, nor does it apply to claims for workers' compensation or unemployment benefits, or claims for benefits under an employee welfare or pension plan that specifies a different dispute resolution procedure. The arbitration shall take place in Santa Monica, California or whatever other city in which you were last employed by the Employer, unless the Employer and you agree otherwise.

(m) **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under existing or future laws effective during the Term, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a legal and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

(n) **Services Unique.** You recognize that the services being performed by you under this Agreement are of a special, unique, unusual, extraordinary and intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated for in damages in the event of a breach of this Agreement by you (particularly, but without limitation, with respect to the provisions hereof relating to the exclusivity of your services and the provisions of Section 9).

(o) **Injunctive Relief.** In the event of a breach of or threatened breach of the provisions of this Agreement regarding the exclusivity of your services and the provisions of Sections 8 and 9, you agree that any remedy of law would be inadequate. Accordingly, you agree that the Employer is entitled to obtain injunctive relief for such breaches or threatened breaches. The injunctive relief provided for in this Section 10(o) is in addition to, and is not in limitation of, any and all other remedies at law or in equity otherwise available to the applicable party. The parties agree to waive the requirement of posting a bond in connection with a court or arbitrator's issuance of an injunction.

(p) **Subsequent Employment.** Notwithstanding anything to the contrary contained herein, you shall receive the payments and benefits under Section 9(e)(ii) (other than payments in accordance with Section 9(e)(i)) only for the time period that you do not obtain subsequent employment and/or provide services of any kind for compensation, whether as principal, owner, partner, agent, shareholder, director, employee, consultant, advisor or otherwise, to any person, company, venture or other person or business entity. If, at any time, you obtain subsequent employment or provide services as set forth in the prior sentence, payments and benefits under Section 9(e) shall cease immediately.

(q) **Remedies Cumulative.** The remedies in this Agreement are not exclusive, and the parties shall have the right to pursue any other legal or equitable remedies to enforce the terms of this Agreement.

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(r) **Headings.** The headings set forth herein are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

(s) **Section 409A.**

- (i) If any amounts that become due under this Agreement constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, payment of such amounts shall not commence until you incur a "Separation from Service" (as defined below).
- (ii) Notwithstanding anything herein to the contrary, if you are a "Specified Employee," for purposes of Section 409A of the Code, on the date on which you incur a Separation from Service, any payment hereunder that provides for the "deferral of compensation" within the meaning of Section 409A of the Code shall not be paid or commence to be paid on any date prior to the first business day after the date that is six months following your "Separation from Service" (the "**409A Suspension Period**"); provided, however, that a payment delayed pursuant to the preceding clause shall commence earlier in the event of your death prior to the end of the six-month period. Within 14 calendar days after the end of the 409A Suspension Period, you shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence. Thereafter, you shall receive any remaining benefits as if there had not been an earlier delay.
- (iii) For purposes of this Agreement, "**Separation from Service**" shall have the meaning set forth in Section 409A(a)(2)(i)(A) of the Code and determined in accordance with the default rules under Section 409A of the Code. "**Specified Employee**" shall have the meaning set forth in Section 409A(a)(2)(B)(1) of the Code, as determined in accordance with the uniform methodology and procedures adopted by the Employer and then in effect.
- (iv) Anything in this Agreement to the contrary notwithstanding, no reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Activision Group covered by this Agreement shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, except to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A of the Code. No amount reimbursed during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year.
- (v) The provisions of this Agreement are intended to satisfy the applicable requirements of Section 409A of the Code with respect to amounts subject thereto and shall be performed, interpreted and construed consistent with such intent. If any provision of this Agreement does not satisfy such requirements or could otherwise cause you to recognize income under Section 409A of the Code, you and the Employer agree to negotiate in good faith an appropriate modification to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code or otherwise causing the recognition of income thereunder.

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(t) **Survivability.** The provisions of Sections 8, 10(l), 10(m), 10(o), 10(p) and this 10(t) shall survive the termination or expiration of this Agreement.

Activision Blizzard, Inc.Non-Employee Director Compensation ProgramAs Adopted on July 17, 2008**Cash Compensation**Annual Retainers:

- Board Member - \$50,000
- Chairman of the Audit Committee - \$25,000
- Chairman of the Compensation Committee - \$20,000
- Chairman of the Nominating and Corporate Governance Committee - \$15,000
- Audit Committee Member - \$10,000
- Compensation Committee Member - \$5,000
- Nominating and Corporate Governance Committee Member - \$5,000

Meeting Fees:

- For each board or committee meeting attended in person or by telephone - \$3,000

Special Assignment Fees

- Per day for special assignments required in connection with board duties (including, without limitation, litigation-related matters, but excluding days on which a director is required to travel to attend meetings) - \$5,000

Payment Terms

- All cash retainers will generally be paid in arrears in equal quarterly installments no later than the 60th day following the last date of the applicable quarter; *provided, however*, that in no event shall fees be paid later than the date that is 2½ months following the last date of the Company's fiscal year for which the retainer relates.
- Meeting Fees and Special Assignment Fees will generally be paid in arrears in equal quarterly installments no later than the 60th day following the last date of the applicable quarter; *provided, however*, that in no event shall fees be paid later than the date that is 2½ months following the last date of the Company's fiscal year for which the retainer relates.
- Fees will be prorated for partial years of service, with partial months of service credited for full months.

Stock OptionsNew Appointment/Election Option Grant

- Each newly elected or appointed non-employee director will receive a grant of 20,000 stock options upon initial election or appointment to the Board.

Annual Option Grant

- Each non-employee director will receive an annual grant of 10,000 stock options on July 21, 2008 and, commencing in 2009, annually upon

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re-election to the Board.

Tenth Year Option Grant

- In the year that a non-employee director completes ten continuous years of service on the Board, the director will receive a grant of 20,000 stock options.
- The tenth year grant is in lieu of the annual grant for the applicable year.

Grant Date

- Beginning in 2009, option grants will be made three business days following the date of the first board meeting immediately following the annual meeting of stockholders.
- The exercise price of the options will equal the closing price of the Company's common stock as quoted on the NASDAQ National Market on the date of grant.

Vesting

- All option grants will vest ratably every three months over the one-year period from the date of grant.
- Initial and "Tenth-Year" option grants will vest ratably every three months over the two-year period from the date of grant.
- A director must be in continuous active service on each applicable vesting date and vesting will cease upon a termination of service; *provided, however*, that vesting will accelerate upon a director's death or termination due to Disability (as defined in Section 22(e)(3) of the Internal Revenue Code)

Term

- Options will expire on the 10th anniversary of the date of grant.

- For so long as director remains in continuous service, all options may be exercised by the director through the 10th anniversary of grant.
- Upon a cessation of service for any reason other than for cause, vested options will remain exercisable until the earlier of (i) the 1st anniversary of the date of death or cessation of service and (ii) the 10th anniversary of grant.

Change of Control

- In the event that the director ceases to serve as a member of the Board of Directors pursuant to the terms of any business combination or similar transaction involving the Company, the options will immediately vest and will remain exercisable until the earlier of (i) the 1st anniversary of the date of the director's cessation of service and (ii) the original expiration date.

Award Agreement

- Options will be granted pursuant to the Company's 2007 Incentive Plan and will be subject to the terms of the applicable non-employee director stock option agreement as in effect at the time of grant.

Restricted Stock Units

New Appointment/Election RSU Grant

- Each newly elected or appointed non-employee director will receive a grant

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of 10,000 RSUs upon initial election or appointment to the Board.

Annual RSU Grant

- Each non-employee director will receive an annual grant of 5,000 RSUs on July 21, 2008 and, commencing in 2009, annually upon re-election to the Board.

Tenth Year RSU Grant

- In the year that a non-employee director completes 10 continuous years of service on the Board, the director will receive a grant of 10,000 RSUs.
- The tenth year grant is in lieu of the annual grant for the applicable year.

Grant Date

- Beginning in 2009, RSU grants will be made three business days following the date of the first Board meeting immediately following the annual meeting of stockholders.

Vesting

- All annual RSUs will vest ratably every three months over the one-year period from the date of grant.
- Initial and "Tenth-Year" RSU grants will vest ratably every three months over the two-year period from the date of grant.
- A director must be in continuous active service on each applicable vesting date.
- Vesting will accelerate on the date of a director's cessation of service due to death or Disability.

Settlement

- Vested RSUs will settle for shares of the Company's common stock no later than 30 days following the 1st anniversary of the grant date.
- 50% percent of the Initial and "Tenth-Year" RSU grants will settle no later than 30 days following each of the 1st and 2nd anniversaries of the date of grant, to the extent vested.

Change of Control

- In the event that the director ceases to serve as a member of the Board of Directors pursuant to the terms of any business combination or similar transaction involving the Company, the RSUs will immediately vest and settle as of the date on which the business combination or similar transaction is consummated.

Dividend Equivalents

- To the extent dividends are paid on the Company's common stock, dividend equivalents will be paid on RSUs prior to settlement, no later than the 45th date following the last date of the Company's fiscal year in which the dividends are paid.

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Award Agreement

- RSUs will be granted pursuant to the Company's 2007 Incentive Plan and will be subject to the terms of the applicable non-employee director stock RSU agreement as in effect at the time of grant.
- Directors receive reimbursement of business and travel expenses from time to time in accordance with Company policy.

Perquisites

Directors do not receive perquisites.

**Employee Directors/
Employees of Majority
Shareholder**

- Employee directors will not be entitled to compensation as a director.
- Unless otherwise determined by the Board of Directors or set forth in the Company's bylaws, directors who are employees of a majority shareholder or its affiliates and subsidiaries will not be entitled to compensation as a director.

Plan Administration

The human resources and the legal departments will administer the non-employee directors' compensation program.

Other

- Directors are required to own shares with a value at least three times the annual cash board retainer within four years of their initial election.
- This requirement is expected to be incorporated into the corporate governance guidelines.

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT NO. 1 dated as of July 8, 2008 (this "**Amendment**") to the Credit Agreement dated as of April 29, 2008 (the "**Credit Agreement**") between ACTIVISION, INC., a Delaware corporation (to be re-named Activision Blizzard, Inc. after consummation of the Transactions) (the "**Borrower**"), and VIVENDI S.A., a société anonyme organized under the laws of France (the "**Lender**"). Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

Section 1. Amendments to the Credit Agreement. As of the Effective Date (as defined below):

(a) *Section 1.01 [Definitions]* is hereby amended by amending and restating the following definitions to read in their entireties as follows:

"**Tranche A Commitment Termination Date**" shall mean the date that is seven Business Days following the scheduled or expected expiration date of the Tender Offer, if the Tranche A Loan has not been made on or prior to such date, or if such date is not a Business Day, the immediately preceding Business Day.

"**Tranche B Commitment**" shall mean the commitment of the Lender to make a Tranche B Loan hereunder. The aggregate amount of the Lender's Tranche B Commitment is the lesser of (1) the aggregate principal amount outstanding under the Vivendi Games Facility on the Closing Date, immediately prior to the consummation of the Transactions, or (2) \$150.0 million.

"**Tranche B Commitment Termination Date**" shall mean the earlier of (a) the date on which the Business Combination Agreement terminates in accordance with its terms, if such termination occurs prior to the Closing Date and (b) the Tranche A Commitment Termination Date.

(b) *Section 1.01 [Definitions]* is hereby amended by inserting the following new definition among the existing definitions set forth in Section 1.01 in appropriate alphabetical order:

"**Aggregate Required Offer Consideration**" shall have the meaning assigned to such term in the Business Combination Agreement.

"**Available Cash on the Tender Offer Closing Date**" means the aggregate amount of unrestricted cash and Cash Equivalents of the Borrower and its Subsidiaries (to the extent, in the case of cash and Cash Equivalents held by the Borrower's Subsidiaries that are not incorporated or otherwise organized under a political subdivision of the United States of America, that such cash and Cash Equivalents could be transferred to the Borrower without the incurrence of United States federal income tax in respect of the earnings and profits of such Subsidiaries (including, without limitation, by repayment of loans or other obligations owing by such Subsidiaries to the Borrower or a domestic Subsidiary of the Borrower)) on the Tender Offer Closing Date (including, without limitation, cash proceeds of issuance and sale by the Borrower of shares of its capital stock to Vivendi S.A. (or a Subsidiary of Vivendi S.A. other than the Borrower and its Subsidiaries) on the Tender Offer Closing Date; but excluding cash proceeds of funding of the Tranche A Loan, the Tranche B Loan or any Revolving Loan).

(c) *Section 2.01 [Commitments]* is hereby amended by amending and restating Section 2.01(b) to read in its entirety as follows:

(b) to make a Tranche B Loan to the Borrower on or before the Tranche B Commitment Termination Date in the principal amount not to exceed its Tranche B Commitment; and

(d) *Section 2.07 [Termination and Reduction of Commitments]* is hereby amended by amending and restating Section 2.07(a) to read in its entirety as follows:

(a) Termination of Commitments. The Tranche A Commitment and the Tranche B Commitment both shall terminate automatically at 5:00 p.m., New York City time, on the Tender Offer Closing Date. The Revolving Commitment shall terminate automatically on the Revolving Maturity Date. Notwithstanding the foregoing, all the Commitments shall terminate automatically on the date on which the Business Combination Agreement terminates in accordance with its terms, if such termination occurs prior to the Closing Date.

(e) *Section 3.12 [Use of Proceeds]* is hereby amended and restated to read in its entirety as follows:

3.12 Use of Proceeds. The Borrower will use the proceeds of (a) the Tranche A Loan solely to consummate the Tender Offer and to pay related fees and expenses, (b) the Tranche B Loan solely to repay Indebtedness outstanding under the Vivendi Games Facility and, to the extent Indebtedness under the Vivendi Games Facility was repaid prior to the Tranche B Loan Funding Date, to pay that portion of the Tender Offer Consideration calculated pursuant to Section 4.03(c)(ii)(B), and to pay related fees and expenses, and (c) the Revolving Loans for general corporate purposes.

(f) *Section 4.03 [Conditions to the Tranche B Loan]* is hereby amended by amending and restating Section 4.03(b) to read in its entirety as follows:

(b) Vivendi Games Facility Repayment Date. On or prior to the date of the funding of the Tranche B Loan, all Indebtedness outstanding under the Vivendi Games Facility shall, with the proceeds of the Tranche B Loan or with funds otherwise available to the Borrower, be paid off in full, all other obligations of the borrower thereunder shall be satisfied (other than contingent indemnity obligations that survive the repayment of such Indebtedness and the termination of the lending commitments thereunder) and all lending commitments of the lender thereunder terminated; and

(g) *Section 4.03 [Conditions to the Tranche B Loan]* is hereby further amended by inserting at the end thereof a new Section 4.03(c), which shall read in its entirety as follows:

(c) Maximum Amount of Tranche B Loan. The requested amount of the Tranche B Loan shall not exceed (i) the maximum amount of the Tranche B Commitment or (ii) the sum of (A) the aggregate principal amount of Indebtedness outstanding under the Vivendi Games Facility on the Tranche B Funding Date, plus (B) the amount, if any, by which (x) the Aggregate Required Offer Consideration certified pursuant to Section 4.02(d)(B) exceeds (y) Available Cash on the Tender Offer Closing Date.

(h) *Section 5.07 [Use of Proceeds]* is hereby amended and restated to read in its entirety as follows:

5.07 Use of Proceeds. Use the proceeds of (i) the Tranche A Loan for the purposes of financing directly or indirectly a portion of the Tender Offer Consideration (as defined in the Business Combination Agreement) and to pay related fees and expenses, (ii) the Tranche B Loan to repay Indebtedness outstanding under the Vivendi Games Facility and, to the extent Indebtedness under the Vivendi Games Facility was repaid prior to the Tranche B Loan Funding Date, to pay that portion of the Tender Offer Consideration calculated pursuant to Section 4.03(c)(ii)(B), and to pay related fees and expenses, and (iii) the Revolving Loans for general corporate purposes.

Section 2. Conditions to Effectiveness. This Amendment shall become effective as of the date (the “**Effective Date**”) on which each of the following conditions precedent shall have been satisfied:

(a) Execution and delivery. The Lender and the Borrower each shall have executed and delivered a duly executed counterpart of this Amendment.

(b) Representations and Warranties; No Defaults. The Lender shall have received a certificate of the Borrower certifying that both before and after giving effect to this Amendment:

(i) each of the representations and warranties set forth in *Article III [Representations and Warranties]* of the Credit Agreement and in the other Loan Documents shall be true and correct in all material respects on and as of the Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date; *provided, however*, that references therein to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment; and

(ii) no Default or Event of Default shall have occurred and be continuing, either on the date hereof or on the Effective Date.

Section 3. Representations and Warranties. The Borrower hereby represents and warrants to the Lender as follows:

(a) The execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all requisite corporate action on the part of the Borrower and will not violate its certificate of incorporation or bylaws.

(b) This Amendment has been duly executed and delivered by the Borrower, and the Credit Agreement as amended hereby constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization and other similar laws relating to or affecting creditors’ rights generally and by the application of general equitable principles (whether considered in proceedings at law or in equity).

(c) (i) Each of the representations and warranties made by the Borrower in the Credit Agreement, as amended hereby, and the other Loan Documents, is true and correct in all material respects as of the Effective Date (other than representations and warranties in any such Loan Document that expressly speak as of an earlier date, which shall have been true and correct in all material respects as of such earlier date) and (ii) no Default or Event of Default has occurred and is continuing.

Section 4. Reference to and Effect on the Loan Documents.

(a) As of the Effective Date, each reference in the Credit Agreement and the other Loan Documents to “*this Agreement*,” “*hereunder*,” “*hereof*,” “*herein*” or words of like import shall mean and be a reference to the Credit Agreement or such other Loan Document as amended by this Amendment, and this Amendment and the Credit Agreement shall be read together and construed as a single instrument.

(b) Except to the extent expressly amended hereby, the Credit Agreement and all of the other Loan Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

Section 5. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Section 6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Receipt by either party hereto of a facsimile copy of an executed signature page hereof shall constitute receipt by it of an executed counterpart of this Amendment.

Section 8. Waiver of Jury Trial. Each party hereto irrevocably waives trial by jury in any action or proceeding with respect to this Amendment or any other Loan Document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Amendment has been duly executed on the date first set forth above.

ACTIVISION, INC.,
as Borrower

By: /s/ Robert A. Kotick

Name: Robert A. Kotick
Title: Chief Executive Officer

VIVENDI S.A.
as Lender

By: /s/ Jean-Bernard Lévy

Name: Jean-Bernard Lévy
Title: Chairman of the Management Board

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF PERFORMANCE SHARE AWARD

You have been awarded Performance Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Robert A. Kotick**
- Total number of Performance Shares awarded: **1,250,000**
- Date of Grant: **July 9, 2009**
- Grant ID: **07000875**
- Your Award of Performance Shares is governed by the terms and conditions set forth in:
 - this Notice of Performance Share Award;
 - the Performance Share Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - your Amended and Restated Employment Agreement with the Company dated December 1, 2007, as amended through July 7, 2008 (the "Employment Agreement"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Performance Shares has been made in connection with the execution of your Employment Agreement as a material inducement to your continuing employment with the Company pursuant to the Employment Agreement, and is also governed by any applicable terms and conditions set forth in the Employment Agreement.
- **Please sign and return to the Company this Notice of Performance Share Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.**

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- If you wish to make an election to include the value of the Performance Shares in your taxable income for the current calendar year, you must complete and sign the Section 83(b) Election Form attached hereto as Exhibit B and both (1) file a copy of it with the Internal Revenue Service Center at which you file your federal income tax return and (2) return a copy of it to the Company, in each case no later than the 30th day after the Date of Grant.
- **Please return the signed Notice of Performance Share Award and, if applicable, the Section 83(b) Election Form to:**

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain (1) the enclosed duplicate copy of this Notice of Performance Share Award for your records and (2) if applicable, two copies of your completed Section 83(b) Election Form, (a) one copy of which should be filed with the Internal Revenue Service Center at which you file your federal income tax return no later than 30th day after the Date of Grant as described above and (b) one copy of which should be submitted with your federal income tax return for the current calendar year.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser
 Ann E. Weiser
 Chief Human Resources Officer

Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Robert A. Kotick
 Robert A. Kotick

Date: _____

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EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

PERFORMANCE SHARE AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Additional Shares**” means any additional Common Shares issued in respect of Performance Shares in connection with any adjustment pursuant to Section 11 hereof.

“**Award**” means the award described on the Grant Notice.

“**Award Terms**” means these Performance Share Award Terms.

“**Cause**” has the meaning given to such term in the Employment Agreement.

“**Change of Control**” has the meaning given to such term in the Employment Agreement.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 11 hereof. For the avoidance of doubt, the term “Common Shares” as used in these Award Terms shall include “Company Common Stock” as such term is used in the Employment Agreement.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company Group**” has the meaning given to such term in the Employment Agreement.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Date of Termination**” has the meaning given to such term in the Employment Agreement.

“**Death**” has the meaning given to such term in the Employment Agreement.

“**Disability**” has the meaning given to such term in the Employment Agreement.

“**Employment Agreement**” means the Amended and Restated Employment Agreement, dated December 1, 2007, between Grantee and the Company as amended through July 7, 2008.

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Good Reason**” has the meaning given to such term in the Employment Agreement.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Performance Share Award to which these Award Terms are attached as Exhibit A.

“**Performance Shares**” means the Common Shares subject to the Award (including any Additional Shares) as to which the Restrictions have not lapsed and which have not been forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Release**” has the meaning given to such term in the Employment Agreement.

“**Release Period**” has the meaning given to such term in the Employment Agreement.

“**Resignation**” has the meaning given to such term in the Employment Agreement.

“**Restricted Book Entry**” means a book entry on the Company’s stock register maintained by its transfer agent and registrar, which book entry shall bear a notation regarding the Restrictions as set forth in Section 15(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 15(b) hereof.

“**Restrictions**” means the restrictions set forth in Section 2 hereof.

“**Section 83(b) Election**” means an election under Section 83(b) of the Code, or any successor provision thereto, to include the value of the Performance Shares in taxable income for the calendar year in which the Award is granted.

“Vested Shares” means Common Shares subject to the Award (including any Additional Shares) as to which the Restrictions have lapsed in accordance with Sections 3, 4 or 5 hereof.

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“Withholding Taxes” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan or the Employment Agreement.

2. **Restrictions.** Prior to the lapse of Restrictions in accordance with Section 3, none of the Common Shares subject to the Award (including any Additional Shares), or any right or privilege pertaining thereto, may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way not expressly permitted by these Award Terms, or subjected to execution, attachment or similar process, unless and until such restrictions thereon lapse pursuant to Sections 3, 4 or 5 hereof. Any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose of or encumber any such Common Shares, or any right or privilege pertaining thereto, in any way not expressly permitted by these Award Terms before such restrictions thereon lapse pursuant to Sections 3, 4 or 5 hereof shall be null and void and of no force and effect.

3. **Lapse of Restrictions.** Except as otherwise set forth in these Award Terms, the Restrictions shall lapse in accordance with the vesting schedule set forth in Sections 6(b) and 6(c) of the Employment Agreement, the terms of which are herein incorporated by reference, *mutatis mutandis*, and shall apply to the Grant Notice and the Award Terms with the same force and effect as if expressly set forth herein or therein.

4. **Termination of Employment.**

(a) **Death.** In the event of Grantee’s death, Grantee shall be entitled to all Vested Shares in accordance with Section 3.

(b) **Disability, Termination for Good Reason or Without Cause.** In the event of Grantee’s termination of employment with the Company Group due to Grantee’s Disability, by Grantee for Good Reason or by the Company Group without Cause, Grantee shall be entitled to all Vested Shares in accordance with Section 3; provided, however, that any accelerated lapse of Restrictions pursuant to this Section 4(b) shall be subject to the execution by Grantee of an effective and irrevocable Release during the Release Period.

(c) **Termination with Cause or Resignation.** In the event of Grantee’s termination of employment with the Company Group due to Grantee’s Resignation or termination by the Company Group with Cause prior to the vesting in full of the Performance Shares, as of the Date of Termination all Performance Shares shall cease to vest and, with the exception of any Vested Shares, shall immediately be forfeited to the Company without payment of consideration by the Company.

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5. **Change of Control.** Notwithstanding Section 3 hereof, in the event that Grantee is an active employee of the Company at the moment immediately prior to a Change of Control and the Performance Shares are not then vested in full, upon the consummation of the Change of Control the Restrictions shall lapse as follows:

If the Change of Control Occurs During the Period:	Percentage of Performance Shares Vesting in Addition to Vested Shares
Commencing on December 1, 2007 and ending on December 31, 2008	60% (i.e., 750,000 additional Performance Shares)
Commencing on January 1, 2009 and ending on December 31, 2009	40% (i.e., 500,000 additional Performance Shares)
Commencing on January 1, 2010 and ending on December 31, 2010	20% (i.e., 250,000 additional Performance Shares)
Commencing on January 1, 2011 and ending on the Expiration Date	To a total of 100% (i.e., any Performance Shares not then vested)

6. **Tax Withholding.** The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the lapse of the Restrictions, from any Section 83(b) Election or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 6: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by a combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 6 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 6 have been satisfied.

7. **Voting Rights.** The holder of the Performance Shares shall be entitled to the voting privileges associated therewith.

8. **Dividends.** Any cash dividends declared and paid on the Performance Shares shall be paid to the holder thereof concurrently with the payment of such dividends to all other record holders of Common Shares.

9. **Receipt and Delivery; Removal of Restrictions.** Performance Shares shall be evidenced by a Restricted Book Entry in the name of the holder of the Performance Shares. Performance Shares shall become Vested Shares at such time as the Restrictions thereon lapse in accordance with the Employment Agreement and these Award Terms. As soon as practicable after the Restrictions on any Performance Shares lapse, the Company shall cause the legend regarding the Restrictions set forth in Section 15(a) hereof to be removed from the resulting Vested Shares and cause the resulting Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person);

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provided, however, that, in the event such Vested Shares are subject to a legend regarding securities law restrictions as set forth in Section 15(b) hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

10. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; provided, however, that no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 11 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

11. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

12. Section 409A. Payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice, the Employment Agreement and these Award Terms shall guarantee that the Award is not subject to taxes, interest or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice, the Employment Agreement or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the

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consent of the Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties in a manner designed to preserve the economics of the Award to the Grantee.

13. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Performance Shares or Vested Shares, and no Performance Shares or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Performance Shares or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Performance Shares or Vested Shares, to issue or transfer Performance Shares or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Performance Shares or Vested Shares or resale of Performance Shares or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

14. Transferability. Notwithstanding the Restrictions, with the Company's consent, Grantee may transfer the Performance Shares for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice, the Employment Agreement and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice, the Employment Agreement and these Award Terms.

15. Legends.

(a) Restrictions. The Company shall cause any Restricted Book Entry evidencing the Performance Shares to bear a notation substantially as follows:

“THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. 2007 INCENTIVE PLAN

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(THE “PLAN”), AND IN THE ASSOCIATED NOTICE OF PERFORMANCE SHARE AWARD, INCLUDING THE PERFORMANCE SHARE AWARD TERMS ATTACHED THERETO (THE “AWARD NOTICE”). A COPY OF THE PLAN AND AWARD NOTICE MAY BE OBTAINED FROM ACTIVISION BLIZZARD, INC.”

(b) Securities Laws. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any Restricted Book Entry evidencing Performance Shares or any certificate evidencing Vested Shares to bear a notation or legend, as the case may be, substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

16. **No Right to Continued Employment.** Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

17. **Severability.** In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. **Governing Law.** To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. **Successors and Assigns.** The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee’s permitted assigns under Section 14 hereof and Grantee’s estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. **Notices.** Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or

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such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on the Employment Agreement, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. **Conflict with Employment Agreement or Plan.** In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. **Deemed Agreement.** By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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EXHIBIT B

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

SECTION 83(b) ELECTION FORM

**Election to Include Value of Restricted Property in Gross Income
in Year of Transfer under Internal Revenue Code § 83(b)**

The undersigned (the “Taxpayer”) hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the property described below and supplies the following information in accordance with the applicable federal income tax regulations:

1. **The name, address and taxpayer identification number of the Taxpayer are:**

Name:

Address:

Taxpayer I.D. Number:

2. **Description of property with respect to which the election is being made:** [] shares of Common Stock, par value \$0.000001 per share, of Activision Blizzard, Inc., a Delaware corporation (the “Company”).

3. **Date of transfer; taxable year:** The date on which property was transferred is []. The taxable year to which this election relates is calendar year [].

4. **The nature of the restrictions to which the property is subject:** The property is subject to transfer restrictions by virtue of an agreement between the Taxpayer and the Company, and the book entry on the Company’s stock register evidencing the property bears a notation to that effect. Except as otherwise provided in the Taxpayer’s Employment Agreement, the restrictions on the property will lapse as follows:

<u>Performance Period</u>	<u>Performance Target Compound Annual Total Shareholder Return to be attained at the End of Performance Period*</u>	<u>Number of Performance Shares to Vest Upon Attainment of Performance Target</u>
For the Performance Period Beginning on the Date of Grant and Ending on the: 1 st anniversary of the Date of Grant	0%	250,000
2 nd anniversary of the Date of Grant	5%	250,000

3 rd anniversary of the Date of Grant	7.5%	250,000
4 th anniversary of the Date of Grant	15%	250,000
Expiration Date	18%	250,000

*Subject to termination of employment and change in control provisions contained in the Taxpayer's employment agreement with the Company.

5. **Fair market value:** The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made is \$[] per share.
6. **Amount paid for property:** Taxpayer did not pay any cash amount for the property.
7. **Furnishing statement to employer:** A copy of this statement has been furnished to the Company.

Dated: _____ Signature of Taxpayer _____

Instructions for Section 83(b) Election Form

1. The form must be filed with the Internal Revenue Service Center (or other IRS office) at which the Taxpayer files his or her federal income tax return and with the Company, in each case no later than the 30th day after the date of grant set forth on the Notice of Performance Share Award to which this Section 83(b) Election Form is attached as Exhibit B.
2. In addition, the Taxpayer must submit one copy of the form with his or her federal income tax return for the year in which the date of grant occurred.
3. The Section 83(b) election, once made, is irrevocable, unless the Internal Revenue Service consents to the revocation.
4. The Taxpayer must *sign* the form.

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Robert A. Kotick**
- Total number of Restricted Share Units awarded: **363,637**
- Date of Grant: **July 9, 2008**
- Grant ID: **07000874**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms");
 - your Replacement Bonus Agreement with the Company, dated December 1, 2007 (the "Replacement Bonus Agreement"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your entering into each of the Replacement Bonus Agreement and your Amended and Restated Employment Agreement with the Company dated as of December 1, 2007 (the "Employment Agreement").
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company Group:

Schedule for Vesting

<u>Vesting Date</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
December 31, 2008	121,213	121,213
December 31, 2009	121,212	242,425
December 31, 2010	121,212	363,637

- *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*
- *Please return the signed Grant Notice to the Company at:*

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

 Ann E. Weiser
 Title: Chief Human Resources Officer
 Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Robert A. Kotick

 Robert A. Kotick

Date: _____

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” has the meaning given to such term in the Employment Agreement.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof. For the avoidance of doubt, the term “Common Shares” as used in these Award Terms shall include “Company Common Stock” as such term is used in the Employment Agreement.

“Company Group” has the meaning given to such term in the Employment Agreement.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“409A Delayed Payment Date” has the meaning given to such term in the Employment Agreement.

“Grantee” means the recipient of the Award named on the Grant Notice.

“Grant Notice” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“Plan” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“Restricted Share Units” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Replacement Bonus Agreement, the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“Separation from Service” has the meaning given to such term in the Employment Agreement.

“Specified Employee” has the meaning given to such term in the Employment Agreement.

“Vested Shares” means Common Shares to which the holder of Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“Withholding Taxes” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. **Vesting.** Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. **Termination of Employment.** In the event of a termination of Grantee’s employment for any reason other than a termination by the Company for Cause, all unvested Restricted Share Units shall immediately vest. In the event that Grantee’s employment is terminated by the Company for Cause prior to the vesting in full of the Restricted Share Units, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Restricted Share Units attributable to Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. **Tax Withholding.** The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company’s consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation

to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. Subject to Section 12(c) hereof, as soon as administratively practicable (and, in any event, within thirty (30) days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable

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laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitable required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the

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Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not

subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of a penalty tax under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such penalty tax and in a manner designed to preserve the economics of the award to Grantee.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) If (i) the Committee determines in good faith that the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's Separation from Service with the Company or any of its subsidiaries or affiliates does not qualify for the "short-term deferral exception" or otherwise would constitute a "deferral of compensation" under Section 409A of the Code, (ii) Grantee is a Specified Employee and (iii) delay of payment is required in order to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the 409A Delayed Payment Date.

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13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

15. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in the Employment Agreement or such other

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address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Replacement Bonus Agreement or Plan. In the event of any conflict between the terms of the Replacement Bonus Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Replacement Bonus Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Replacement Bonus Agreement, the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Brian G. Kelly**
- Total number of Restricted Share Units awarded: **363,637**
- Date of Grant: **July 9, 2008**
- Grant ID: **07000873**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms");
 - your Replacement Bonus Agreement with the Company, dated December 1, 2007 (the "Replacement Bonus Agreement"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your entering into each of the Replacement Bonus Agreement and your Amended and Restated Employment Agreement with the Company dated as of December 1, 2007 (the "Employment Agreement").
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company Group:

Schedule for Vesting

<u>Vesting Date</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
December 31, 2010	363,637	363,637

- *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*

- *Please return the signed Grant Notice to the Company at:*

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

 Ann E. Weiser
 Title: Chief Human Resources Officer
 Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Brian G. Kelly

 Brian G. Kelly

Date: October 8, 2008

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Cause**” has the meaning given to such term in the Employment Agreement.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof. For the avoidance of doubt, the term “Common Shares” as used in these Award Terms shall include “Company Common Stock” as such term is used in the Employment Agreement.

“**Company Group**” has the meaning given to such term in the Employment Agreement.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**409A Delayed Payment Date**” has the meaning given to such term in the Employment Agreement.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Replacement Bonus Agreement, the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Separation from Service**” has the meaning given to such term in the Employment Agreement.

“**Specified Employee**” has the meaning given to such term in the Employment Agreement.

“**Vested Shares**” means Common Shares to which the holder of Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment. In the event of a termination of Grantee’s employment for any reason other than a termination by the Company for Cause, all unvested Restricted Share Units shall immediately vest. In the event that Grantee’s employment is terminated by the Company for Cause prior to the vesting in full of the Restricted Share Units, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Restricted Share Units attributable to Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company’s consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation

to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. Subject to Section 12(c) hereof, as soon as administratively practicable (and, in any event, within thirty (30) days) after the Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable

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laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the

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Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable,

good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of a penalty tax under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such penalty tax and in a manner designed to preserve the economics of the award to Grantee.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) If (i) the Committee determines in good faith that the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's Separation from Service with the Company or any of its subsidiaries or affiliates does not qualify for the "short-term deferral exception" or otherwise would constitute a "deferral of compensation" under Section 409A of the Code, (ii) Grantee is a Specified Employee and (iii) delay of payment is required in order to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the 409A Delayed Payment Date.

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13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

15. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in the Employment Agreement or such other

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address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Replacement Bonus Agreement or Plan. In the event of any conflict between the terms of the Replacement Bonus Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Replacement Bonus Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Replacement Bonus Agreement, the Plan, the Grant Notice and these Award Terms.

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Date: December 1, 2007

Michael Morhaime
 23 Ocean Heights Drive
 Newport Beach, CA 92657

Dear Mr. Morhaime:

Reference is made to that certain Business Combination Agreement, dated as of December 1, 2007 (the "Business Combination Agreement"), between Vivendi S.A. ("Vivendi"), VGAC LLC, Vivendi Games, Inc. ("Vivendi Games"), Activision, Inc., and Sego Merger Corporation. Subject to (i) the consummation of the transactions contemplated by Business Combination Agreement and (ii) your remaining in the employment of Vivendi Games or its subsidiary, Blizzard Entertainment, Inc. ("Blizzard") from the date hereof until the Closing Date (as defined in the Business Combination Agreement), Activision Blizzard, Inc. (the "Company") shall employ you and you agree to accept employment upon the terms and conditions set forth in this agreement (the "Agreement"), effective upon the Closing Date. In the event the transactions contemplated by that certain Business Combination Agreement are not consummated for any reason or you are not in the employment of Vivendi Games or Blizzard for any reason as of the date one (1) day prior to Closing Date, this Agreement shall be null and void without either you or the Company having any continuing or further obligations hereunder.

1. Term. The term of this Agreement will commence on the "Closing Date" as such term is defined in the Business Combination Agreement (the "Commencement Date"), and continues until the last day of the month in which the fifth (5th) anniversary of the Commencement Date occurs, unless earlier terminated pursuant to the provisions of Paragraph 4 (the "Term"). Notwithstanding the foregoing, if the Commencement Date does not occur before July 31, 2008 (or any alternate date mutually agreed by you and the Company in writing), this Agreement shall be null and void without either you or the Company having any continuing or further obligations hereunder. The Company shall notify you in writing on or before the date which is six (6) months prior to the expiration of the Term of its desire to renew or extend and continue your employment with the Company, upon receipt of which notice you and the Company shall promptly commence discussions concerning such renewal or extension of employment; provided, that absent your and the Company's execution of a written agreement addressing such extension or renewal of employment, nothing contained herein shall obligate the Company or you to consider or agree to any such renewal or extension of employment beyond the expiration of the initial Term and each of you and the Company expressly acknowledges that no promises or understandings to the contrary have been made or reached. You also agree and acknowledge that, absent a contrary written agreement between you and the Company, should you and the Company choose to continue your employment for any period of time following the expiration of the Term (including the expiration of any extensions of the Term), your employment with the Company will be "at will;" in other words, absent such contrary written agreement, during any time following the expiration of the Term the Company may terminate

your employment at any time, with or without reason and with or without notice, and you may resign at any time, with or without reason and with or without notice.

2. Duties. You agree to be employed by the Company and shall perform your full time business services for Blizzard and its Affiliates and subsidiaries upon the terms and conditions of this Agreement. You will continue your services hereunder as President and Chief Executive Officer of Blizzard and shall report directly to the Company's Chief Executive Officer. At all times during the Term, you shall remain as Blizzard's senior most executive officer. You will perform those duties and other services as are consistent with your office and position as shall be reasonably designated or requested from time to time by the Company's Chief Executive Officer, subject to the limitations and exclusions set forth in Section 4(c). You will not be required, without your consent, to perform your primary duties under this Agreement in a location other than Irvine, California or more than fifteen (15) miles therefrom, except for normal and customary required travel on the Company's business. Notwithstanding the foregoing you shall be entitled to (i) with the consent of the Company's Board of Directors (which consent shall not be unreasonably be withheld), serve on the board of directors or other governing board or committees of up to three (3) for profit corporations or entities which do not engage in the conduct of business competitive with that of Vivendi S.A. (for so long as it is a shareholder of the Company), the Company and/or Blizzard, (ii) serve on civic, industry, or charitable boards or committees and engage or participate in civic, cultural, philanthropic and community affairs and projects, and (iii) manage your own personal, financial, investment, and legal affairs (collectively the foregoing activities described under sub-clauses (i), (ii) and (iii) are hereinafter collectively referred to as the "Permitted Activities"); provided, that none of such Permitted Activities unreasonably interfere with your performance of your full time duties for and on behalf of Blizzard hereunder and are not in violation of the Company's ethics codes, conflicts of interests policies and corporate governance guidelines in effect at the time of the inception of such Permitted Activities. In such regard, you shall be entitled to receive and retain, as your exclusive property and assets, any payments, compensation, revenues, profits, gains, or other benefits derived from the Permitted Activities.

3. Compensation and Related Matters.

(a) Base Salary. For all services rendered under this Agreement, commencing as of the Commencement Date the Company will pay you base salary at an annual rate of Four Hundred Seventy-Five Thousand Dollars (\$475,000), payable in accordance with the Company's customary and applicable payroll practices, but in no event less frequently than semi-monthly (the "Base Salary"). Notwithstanding the foregoing, commencing as of March 1, 2009 and the same day of each subsequent calendar year occurring during the Term, your Base Salary shall be increased by the greatest of (i) five percent (5.0%) of your Base Salary as in effect on the immediately preceding date, or (ii) the percentage increase in the Consumer Price Index during the immediately preceding twelve (12) months for Irvine, California as determined by the U.S. Department of Labor, Bureau of Labor Statistics, or (iii) such merit increase as shall be awarded to you and approved by the Company's Board of Directors. The Company agrees to review your salary for merit increases, at the same time as other senior executives of the Company, but at least once per year. Any higher Base Salary paid to you subsequently will be deemed the annual rate for the purposes of this Agreement and will commence on the date determined by the Company. In no event shall your Base Salary be reduced without your prior written consent.

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(b) Incentive Bonus Compensation. You shall participate in the Company Management Incentive Plan as in effect from time to time or any successor thereto (the "MIP"). Your target bonus under the MIP for each fiscal year shall be seventy-five percent (75%) of your Base Salary; provided that in all events the total bonus paid to you under the MIP for any fiscal year shall not be less than thirty seven and one-half percent (37.5%) of your Base Salary (the "Guaranteed Minimum MIP Bonus"). Any bonus earned under the MIP shall be based upon a weighted measurement of ten percent (10%) based upon achievement of the goals, criteria and performance of the Company and its subsidiaries, and ninety percent (90%) based upon achievement of goals, criteria and performance of Blizzard and of your own personal goals (in each case as measured against pre-established objectives), all in accordance with the terms and conditions of the MIP. Notwithstanding the foregoing, the target bonus level recited herein shall not serve as a limit on the amount of the bonus which you are entitled to earn and receive under the MIP, as the MIP shall permit you to earn and receive in aggregate up to two (2) times the otherwise applicable target bonus level (i.e., to a maximum bonus

of 150% of your Base Salary). You understand that your actual bonus above any Guaranteed Minimum MIP Bonus is not guaranteed compensation and is subject to the discretion of the Company and the terms of the MIP.

(c) Holiday Bonus Compensation. In addition to the MIP, you shall continue to participate in the Blizzard Entertainment, Inc. Holiday bonus program as in effect from time to time (the "Holiday Plan"). Your target bonus under the Holiday Plan for each fiscal year shall be fifty percent (50%) of your Base Salary; provided that in all events the total bonus paid to you under the Holiday Plan for any fiscal year shall not be less than twenty-five percent (25%) of your Base Salary (the "Guaranteed Minimum Holiday Bonus" which, collectively with the Guaranteed Minimum MIP Bonus for any fiscal year is herein referred to as the "Guaranteed Minimum Bonus"). Any bonus earned under the Holiday Plan shall be determined by the Chief Executive Officer of the Company in accordance with the terms and conditions of the Holiday Plan; provided that references, if any, to "Vivendi Games" or "Vivendi Universal Games" in applying the Holiday Plan shall be replaced with the Company. You understand that your actual bonus above any Guaranteed Minimum Holiday Bonus is not guaranteed compensation and is subject to the discretion of the Company and the terms of the Holiday Plan.

(d) Profit Sharing Compensation. In addition to the MIP and the Holiday Plan, you shall continue to participate in the Blizzard Entertainment Profit Sharing Plan as in effect from time to time (the "Profit Sharing Plan") in conformity with the applicable terms and provisions of the Profit Sharing Plan; provided that in all events you shall remain entitled to receive not less than three and one-half percent (3.5%) of the "Profit Sharing Pool" (as currently defined and determined within the Profit Sharing Plan). Any bonus earned under the Profit Sharing Plan (a "Profit Share Bonus") shall be determined by the Chief Executive Officer of the Company in accordance with the terms and conditions of the Profit Sharing Plan; provided that all references therein to "Vivendi Games" or "Vivendi Universal Games" shall be replaced with the Company. You understand that except for your guaranteed percentage participation of the Profit Sharing Pool under the Profit Sharing Plan, your actual bonus amount under the Profit Sharing Plan is dependent upon the amount of such Profit Sharing Pool being established thereunder, if any.

(e) Bonus Determinations. For all purposes of this Agreement, the MIP, the Holiday Plan and Profit Sharing Plan are herein collectively referred to as the "Bonus Plans" and individually as a "Bonus Plan." Notwithstanding any other provision contained herein or of the

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Bonus Plans to the contrary, in the event of the termination of your employment with the Company by either the Company without Cause or by you for Good Reason or as a result of your death or Disability (as hereinafter defined) or upon the expiration of the Term of this Agreement without renewal, you shall remain entitled and the Company shall pay to you, as and when any such bonus compensation payments are otherwise remitted under the terms of the Bonus Plans, each of (i) the full amount of any bonus compensation earned and owed to you, but remaining unpaid for any fiscal year or period ending on or prior to any such termination or expiration and (ii) a pro-rata share (determined on a daily basis) of any bonus compensation otherwise accrued for you during or for the fiscal year or period in which such termination or expiration occurs.

(f) Equity Awards. In addition to the Bonus Plans, (i) upon the Commencement Date, the Company shall have previously recommended and obtained authorization from the Compensation Committee of the Company's Board of Directors to grant you, and will promptly provide you with a one-time grant of a "Stock Option" under the Activision Inc. 2007 Incentive Plan (the "2007 Plan") to purchase 300,000 shares of the Company's common stock (the "Initial Equity Award") and (ii) the Company will recommend to the Compensation Committee of the Company's Board of Directors that you be granted, and will use its reasonable best efforts to cause you to be granted, a "Stock Option" under the 2007 Plan or its applicable successor plan to purchase 100,000 shares of the Company's common stock (the "Annual Equity Award"), to be granted at the same time such regular annual equity grants are made to other senior executive officers of the Company commencing in 2009 (but, for the avoidance of doubt, not more than once per fiscal year during the Term). The Initial Equity Award and Annual Equity Awards will be subject to the terms and conditions of the Company's 2007 Plan or other succeeding and applicable equity plan and the customary form of award agreement used thereunder generally for executives of the Company (other than the Company's Chief Executive Officer and Co-Chairman), and any specific standard terms and conditions set forth and uniformly applied by the Company; provided, however, that the Initial Equity Award will provide for vesting in equal monthly installments over a period of five (5) years from the grant date thereof. The number of shares to be granted under any Initial Equity Award or Annual Equity Award shall be appropriately adjusted in the event of a corporate merger, recapitalization, stock dividend, reorganization or similar event, of the Company. In addition, you shall be entitled to receive and participate in any discretionary and meritorious awards of equity incentives under the 2007 Plan or any successor thereto all upon such terms and conditions as the Company's Board of Directors, acting by and through its Compensation Committee, may determine in its and their sole and absolute discretion; it being intended that your receipt of the Initial Equity Award and the Annual Equity Awards shall not be deemed to serve as a limit on the amount of any such equity incentives the Company may decide, within its sole and absolute discretion, to award to you based upon your performance or achievements as determined from time to time.

(g) Blizzard Equity Incentive Plan. It is hereby acknowledged and agreed that the consummation of the transactions contemplated by the Business Combination Agreement shall constitute a Change in Control under the Blizzard Entertainment, Inc. 2006 Equity Incentive Plan (the "BEP") resulting in the full and immediate acceleration and vesting of all outstanding options and/or shares of restricted stock previously granted to you under the BEP and held by you as of the Closing Date (collectively "Outstanding Incentives"). From and after the Commencement Date, the Company shall cause all Outstanding Incentives to be paid, liquidated

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or redeemed or otherwise held, converted or maintained in conformity with the terms and provisions of the BEP as in effect on October 15, 2007.

(h) Benefits. You will be entitled to participate in all welfare benefit plans (including health, medical, hospitalization, dental, vision, life and disability insurance plans), perquisites and other employee programs made available from time to time by Blizzard to its senior executive employees generally (the "Welfare Plans"). The Company agrees that during the Term, the Welfare Plans shall, in the aggregate, be provided on terms and conditions no less favorable than those welfare benefits made available to you from Blizzard as in effect on October 15, 2007.

(i) Vacation. In addition to all other paid Company holidays, you will be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company applicable generally to similarly situated executives of the Company; provided, however, you will be entitled to no less than four (4) weeks of paid vacation during each calendar year, to take at such time as you and the Company may mutually agree upon, and subject to the otherwise applicable terms of the Company's vacation policy as in effect from time to time. Specifically, in the event you do not use your available vacation by the end of the calendar year in which it accrues, you may carry unused vacation forward to the following year, provided however that additional accrual of vacation days will cease once you have reached a cap equaling eight (8) weeks of total available and unused vacation. When you have used sufficient accrued vacation days to bring your available vacation below the eight (8) week cap, you will again begin to again accrue vacation.

(j) Car Allowance. You will be entitled to participate in the Company's executive auto allowance program, if any, at the same level of the other senior executive officers of the Company and in accordance with such program's terms and conditions.

(k) Legal Fees. The Company shall reimburse you (or pay on your behalf at your direction) for all reasonable legal fees and costs incurred or paid by you in connection with the negotiation and implementation of this Agreement; provided that such amount reimbursed or paid to or on your behalf hereunder shall not exceed Twelve Thousand Five Hundred Dollars (\$12,500).

(l) Expense Reimbursements. During your employment, the Company will reimburse you for your reasonable and necessary business expenses in accordance with its then prevailing policy for similarly situated employees (which will include appropriate itemization and substantiation of expenses incurred). In furtherance but not in limitation of the foregoing, when traveling in the course of performing your duties hereunder, you shall be entitled to reimbursement for business class air travel on all flights in excess of three (3) hours and be entitled to utilize and be reimbursed for overnight accommodations at four (4) star facilities (as measured on a five star scale). All reimbursements provided to you hereunder shall be in addition to and not in limitation or lieu of all other compensations or benefits provided you under this Agreement.

(m) Financial Stipend. You shall receive an annual non-accountable and non-recoupable personal expense allowance of Three Thousand Five Hundred Dollars (\$3,500). Such stipend shall be paid to you to assist and reimburse you for your personal financial,

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accounting, tax and legal planning and service costs and expenses; provided, that you shall not be responsible to account to the Company for or with respect to any such costs or expenses nor submit to the Company any vouchers or other reports evidencing or supporting the same. Such stipend shall be included and reported by the Company in your annual compensation.

(n) Enhanced Severance Compensation. The Company hereby agrees that upon either (i) the termination of your employment by the Company without Cause or (ii) your termination of your employment for Good Reason (each a "Qualified Separation"), the Company shall have paid or caused to be paid to you or otherwise caused you to receive from Blizzard, the Company and/or their Affiliates total compensation provided under Paragraphs 3(a), 3(b), 3(c), 3(d), and 3(f) of this Agreement (as determined for the period from the Commencement Date through and including the date of such termination and including all salary, bonuses (under all plans) and any amounts earned under all stock-based incentive compensation plans (including outstanding unexercised stock options or similar awards, but only to the extent vested and exercisable by you with the value thereof being determined as the positive difference, if any, between the closing price for the Company's stock on the date on which such termination occurs less the exercise price required to be paid by you for any such shares of stock) from the Commencement Date through the date of termination) aggregating not less than the product of (a) Four Million Dollars (\$4,000,000) multiplied by (b) the total number of years (including any partial year expressed as a percentage of an entire year) during which you remained in the employ of the Company hereunder (such product being herein referred to as the "Required Total Compensation"). Upon any Qualified Separation, in the event the Company has not paid or caused to be paid to or received by you the Required Total Compensation, the Company shall within thirty (30) days thereafter, pay to you in a single lump sum that amount necessary to cause you to have received the Required Total Compensation hereunder.

(o) Withholding. The Company will withhold from any payments and benefits payable under this Agreement such federal, state or local taxes as will be required to be withheld pursuant to any applicable laws or regulation.

4. Compensation Upon Certain Termination Events.

(a) Compensation Payable. Should your employment with the Company terminate, you will be entitled to the amounts and benefits set forth in this Paragraph 4. In the event of such termination, and except for payments noted in this Paragraph 4, the Company will have no further obligations to you under this Agreement. As such, you agree that you will have no rights or remedies in the event of your termination other than those set forth in this Paragraph 4.

(b) Termination for Cause. The Company may terminate your employment for Cause. For purposes hereof "Cause" will exclusively mean and consist of:

(i) your failure to perform your primary duties or your breach of the terms of this Agreement in either case resulting in material and demonstrable damage to the Company or its Affiliates, and which failure or breach is not remedied by you within thirty (30) days after receipt of written notice from the Company describing your failure and/or breach and setting forth the Company's intention to terminate your employment if the failure or breach is not duly remedied;

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(ii) your intentional and material failure to comply with the Company's material policies of which you are provided written notice and the terms of which are equally and uniformly applied to all executive employees of the Company (as such policies may be amended from time to time with your having been notified in writing as to any such amendments). Notwithstanding the foregoing, you shall not be terminated under this Paragraph unless and until you have received written notice from the Company describing your failed actions committed in violation of the specified Company policy, and setting forth the Company's intention to terminate your employment and have failed to cure and remedy such violation within thirty (30) days after receipt of such written notice from the Company; or

(iii) your conviction of a felony or other crime involving dishonesty or fraud or that results or would reasonably be expected to result in the Company becoming subject to public reprimand or sanction.

(c) Resignation; Termination for Good Reason. You may resign your employment with the Company and terminate this Agreement at any time without advance notice. Any such resignation may be with or without Good Reason. For purposes hereof, "Good Reason" will mean the Company's commission or the occurrence without your consent of any of the events in the immediately succeeding paragraph, which act or occurrence is not remedied by the Company within thirty (30) days after receipt of written notice from you specifically delineating each such event which you claim constitutes Good Reason hereunder and setting forth your intention to terminate your employment at the end of such 30-day period if such matter is not duly remedied. Notice to the Company must be delivered by you within sixty (60) days after you become aware or receive notice of the commission or occurrence of such event or events constituting Good Reason hereunder.

"Good Reason" will mean the occurrence, without your consent or approval, of: (i) a reduction in any of your Base Salary, aggregate Guaranteed Minimum Bonus, target bonus opportunity under the MIP or Holiday Plan (or successor thereto) or percentage participation in the Profit Sharing Plan (or successor thereto), any material reduction, in the aggregate, of the benefits described under Section 3(h) hereof, or any modification, amendment, discontinuation or termination of any Bonus Plan (or any successor thereto) that either (a) in the aggregate (but taking into account any new or enhanced bonus, long term incentive or comparable benefit made available to you), materially reduces your opportunity to earn compensation under those Bonus Plans (taken as a whole and as compared to

those incentive compensation opportunities available to you under those Bonus Plans as of immediately prior to the Commencement Date) or (b) in the aggregate (but taking into account any new or enhanced bonus, long term incentive or comparable benefit made available to the Blizzard employees), materially reduces the Blizzard employees' aggregate overall opportunity to earn compensation under the Profit Sharing Plan (taken as a whole and as compared to the aggregate incentive compensation opportunities available to the Blizzard employees under the Profit Sharing Plan as of immediately prior to the Commencement Date); (ii) any material default by the Company in paying or providing you with any compensation or benefits required or any material obligations owed to you hereunder; (iii) the termination by the Company without "Cause" (as defined under the applicable employment agreement) of the Company's employment of any one or more of the "Blizzard Management Team Members" (as hereinafter defined); (iv) a change in location of your primary place of employment from Blizzard's existing office in the Irvine, California to a location more than fifteen (15) miles therefrom; (v) a change in title to one that conveys lesser responsibility or

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lower status, or the imposition of any restriction or constraint upon you or the undertaking of any other act which materially diminishes your position, office, responsibility, duties or authority; (vi) a change in your reporting structure and responsibilities as described in Paragraph 2 of this Agreement; (vii) upon a "Change in Control of Blizzard" (as hereinafter defined); or (viii) the Company taking or failing to take any actions, imposing any restrictions or otherwise engaging in conduct (except as otherwise required by applicable law or regulation) with respect to the operations or activities of Blizzard which, taken individually or as a whole, prevent or materially interfere with you having authority, ability, accountability, and control over the conduct of Blizzard's strategic, operational and daily business activities, including without limit the making, execution or implementation of all decisions concerning Blizzard's product development, worldwide operations, officers, personnel, brand, franchises, and products, including without limit the "CEO Duties" (as hereinafter defined); provided that at all times you shall exercise the foregoing authority within the annual, strategic or operating budget parameters reasonably established and reasonably agreed to between you and the Company herein and as revisited and modified (including based upon requests or recommendations initiated by you or the Company each acting in good faith and in a manner historically and customarily undertaken prior to the Commencement Date) from time to time (the "Approved Plans"), and within the Company's uniformly applicable and standard procedures and policies (the "Company Policies and Procedures").

For purposes hereof, the "CEO Duties" shall include and consist of those Blizzard activities, operations and functions comprised of the following, but qualified in all instances by and subject to (A) the Company Policies and Procedures, (B) Approved Plans, and (C) the Exclusions (as defined in the next paragraph): (i) product development (including all greenlight processes, product plans, schedules, ship dates, technologies, tools, teams, personnel, contracts, and other methodologies pertaining to same), (ii) exploitation of franchise rights and intellectual properties, (iii) branding and all brand marketing, advertising, public relations, community management and licensing (including merchandising, television, motion pictures and ancillary product licenses and rights) pertaining to products developed, distributed or sold by Blizzard, as well as all trademarks and service marks incorporating or involving "Blizzard" or "Battle.Net," (iv) human resource, recruiting, finance, information technologies, network operations, purchasing, quality assurance or control, customer service, billing and technical support, (v) website design, content, form, display and function, (vi) new or existing business development or market growth and pricing functions, (vii) physical plant, facility and office locations, as well as occupancy and use of all such premises or facilities, (viii) use or utilization of any outsourced activities or services, (ix) implementation of all project or other operating, capital expenditure, or similar budgets, (x) establishment or implementation (without any required approval) of employee rewards/perquisites not exceeding Two Hundred Thousand Dollars (\$200,000) per year in the aggregate, (xi) any reorganization of the internal organization or structure of Blizzard including all matters affecting such internal departmentalization, titles, and reporting lines of responsibility regarding Blizzard personnel; and (xii) the preparation of all annual, strategic and operating budgets and plans for presentation to and approval by the Chief Executive Officer of the Company (provided, however, the timing of the delivery of such budgets and plans, as well as the level of detail to be covered thereby and the business objectives to be accomplished thereby shall be determined in advance by the Chief Executive Officer of the Company). For clarity, the use by the Company, Vivendi S.A. or any of their subsidiaries of the name of the Company (as amended as of the Commencement Date to "Activision Blizzard"

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Inc."), the name "Blizzard" and the name of any product of Blizzard, in each case, for any and all general corporate purposes where it is reasonably necessary or desirable in the sole judgment of the Company or where required by law (e.g., for required filings, on corporate communications and communications with investors, on copyright notices) shall not be deemed a violation of clause (iii) (or any other clause) of the foregoing definition of CEO Duties. The Company acknowledges and agrees that discretionary uses of the name "Blizzard" (other than as set forth in the immediately preceding sentence) in conjunction with any product of the Company or its Affiliates other than a product developed, distributed or sold by Blizzard shall be a violation of clause (iii) unless your prior consent is obtained for that use.

Notwithstanding anything in this Agreement to the contrary, the CEO Duties with regard to Blizzard do not include, and you shall not take (or permit or cause Blizzard to take) any of the following actions without the express prior approval of the Chief Executive Officer of the Company: (A) selling, licensing, transferring or encumbering any intellectual property of Blizzard other than in the ordinary course of business; (B) terminating any Blizzard Management Team Member or taking any action that results in any Blizzard Management Team Member having "Good Reason" (as defined under the applicable employment agreement) to resign from employment with the Company; (C) entering into any employment agreement outside the ordinary course of business, adopting or amending any material employee benefit plan or HR policy; (D) issuing any securities of Blizzard, including, without limitation, options, warrants or other rights convertible into or exchangeable for securities of Blizzard; (E) engaging in any acquisition, disposition or sale of any assets, other than in the ordinary course of business; (F) investing in any other entity, or entering into any joint venture agreement (other than, in each case, with a wholly-owned subsidiary of Blizzard); (G) incurring indebtedness (excluding indebtedness contemplated by an Approved Plan or variances of not more than 10% of any budgeted line item within the Approved Plan which variances do not aggregately cause the total indebtedness with such Approved Plan to be exceeded); (H) granting any guarantee of obligations of any entity or individual (other than of a wholly-owned subsidiary of Blizzard); (I) entering into any affiliate agreement with an employee of Blizzard other than an agreement related to such employee's employment by the Company or termination thereof; (J) entering into any agreement (i) to do any of the foregoing, or (ii) not contemplated by an Approved Plan and that contemplates a payment by or to Blizzard (or could reasonably result in a payment by or to Blizzard) in excess of the amounts set forth in the Approved Plans, and within the Company Policies and Procedures. The foregoing matters identified in this paragraph are the "Exclusions."

For purposes of this Agreement, the "Blizzard Management Team Members" shall individually consist of each of and collectively be comprised of all of you, Paul Sams as installed in the office of Chief Operating Officer, Frank Pearce as installed in the office of Executive Vice President, Product Development, Robert Pardo as installed in the office of Senior Vice President, Game Design, Christopher Metzen as installed in the office of Vice President, Creative Development, and Neal Hubbard, as installed in the office of Vice President, Global Marketing.

For purposes of this Agreement, a "Change in Control of Blizzard" shall mean the occurrence of any of the following events: (i) any "person" or "group" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act")) other than Vivendi S.A., the Company or one of the Company's wholly-owned subsidiaries, becomes the "beneficial owner" (as defined in Rules 13d-3 or 13d-5 of the

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Securities Exchange Act), directly or indirectly, of either the voting securities or total securities of Blizzard representing fifty percent (50%) or more of either the voting power or total equity represented by Blizzard's then outstanding voting or other securities; (ii) the consummation of the sale, transfer, lease, or other disposition by Blizzard of all or substantially all of its assets in a single transaction or in a series of related transactions; or (iii) the consummation of a merger, liquidation, joint venture, combination, consolidation, recapitalization, or other reorganization transaction of Blizzard, other than any such transaction which would result in the voting securities of Blizzard outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of Blizzard or such surviving entity or joint venture outstanding immediately after such transaction.

(d) **Termination for Cause; Without Good Reason.** In the event that your employment is terminated for Cause or if you resign without Good Reason, you will be entitled to the following: Payment of (1) any accrued but unpaid Base Salary due you through termination, (2) any accrued but unpaid vacation, (3) any unreimbursed expenses owed, accrued or incurred by you through termination, and (4) other unpaid amounts then due you under Company benefit plans, programs or policies, paid in accordance with the terms of such benefit plans, programs or policies.

(e) **Termination for Disability.** The Company may terminate your employment on account of a Disability. You will be deemed to have a "Disability" if you are incapacitated by a physical or mental condition, illness or injury which has prevented you, after reasonable accommodation, from being able to perform the essential duties of your position under this Agreement in a satisfactory fashion for all of a consecutive one hundred eighty (180) day period. In the event of your suffering any condition which could result in your having suffered a Disability, your Base Salary shall continue until the earliest of (i) the 180th day following the start of your Disability absence or (ii) your death or (iii) the last day of the then current Term of this Agreement and will (under each of the foregoing clauses) be reduced by other Company provided disability benefits paid to and received by you. In the event your employment is terminated on account of a Disability, you will be entitled to the following: payment of (1) any accrued but unpaid Base Salary due you through termination, (2) any accrued but unpaid vacation, (3) any unreimbursed expenses owed, accrued or incurred by you through termination; (4) other unpaid amounts then due you under Company benefit plans, programs or policies, paid in accordance with the terms of such benefit plans, programs or policies, (5) if not already due or paid under the terms of an applicable Bonus Plan, both the full amount of any previously earned or declared but unpaid bonus for any past fiscal year or period and a prorated bonus for the fiscal year or period in which such termination occurs, each being paid at such time that such bonus is paid to similarly situated executives all as contemplated under Paragraphs 3(b), 3(c), 3(d) and 3(e) hereof, and (6) all amounts as required or provided under Paragraphs 3(f) and 3(g) of this Agreement.

(f) **Death.** If you die while employed under this Agreement, you will be entitled to the following: payment of (1) any accrued but unpaid Base Salary due you through your date of death, (2) any accrued but unpaid vacation, (3) any un-reimbursed expenses owed, accrued or incurred by you through your date of death, (4) other unpaid amounts then due you under Company benefit plans, programs or policies, except that those payments will be made to your

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estate or legal representative, paid in accordance with the terms of such benefit plans, programs or policies, (5) if not already due or paid under the terms of an applicable Bonus Plan, both the full amount of any previously earned or declared but unpaid bonus for any past fiscal year or period and a prorated bonus for the fiscal year or period in which your death occurs, each being paid at such time that such bonus is paid to similarly situated executives all as contemplated under Paragraphs 3(b), 3(c), 3(d) and 3(e) hereof, (6) any death benefits payable under Company employee benefit plans, programs or policies, paid in accordance with the terms of such benefit plans, programs or policies, and (7) all amounts as required or provided under Paragraphs 3(f) and 3(g) of this Agreement.

(g) **Termination Without Cause/Resignation with "Good Reason."** In the event the Company terminates your employment without Cause, or you resign and terminate your employment with the Company with Good Reason, you shall be entitled to the following: payment of (1) any accrued but unpaid Base Salary due you through termination, (2) any accrued but unpaid vacation, (3) any unreimbursed expenses owed, accrued or incurred by you through termination, (4) other unpaid amounts then due you under Company benefit plans, programs or policies, paid in accordance with the terms of such benefit plans, programs or policies, (5) if not already due or paid under the terms of an applicable Bonus Plan, both the full amount of any previously earned or declared but unpaid bonus for any past fiscal year or period and a prorated bonus for the fiscal year or period in which such termination occurs, each being paid at such time that such bonus is paid to similarly situated executives all as contemplated under Paragraphs 3(b), 3(c), 3(d) and 3(e) hereof, (6) your Base Salary, an amount equal to the sum of the actual annual bonuses paid to you under the MIP and Holiday Plan for the year immediately preceding the year of termination, and your benefits under the Welfare Plans (but not including benefits provided under (i) any plan qualified under Section 401(a) of the Internal Revenue Code (except that any such benefits accrued, owing or vested through the date of or as a result of such termination shall remain payable under such plan in accordance with the terms thereof), (ii) any nonqualified deferred compensation plan (except that any such benefits accrued, owing or vested through the date of or as a result of such termination shall remain payable under such plan in accordance with the terms thereof), and (iii) any stock or incentive based plan (except that any such benefits accrued, owing or vested through the date of or as a result of such termination shall remain payable under such plan in accordance with the terms thereof) each as determined from the date of such termination through the last day of the unexpired then current Term of this Agreement, or, if longer, through the date which is two (2) years from and after the date of such termination, all as if such termination had not occurred, (7) an amount equal to two (2) times the actual annual bonus compensation paid to you under the Profit Sharing Plan for the year immediately preceding the year of termination, and (8) any and all payments owed to you as provided under Paragraphs 3(f), 3(g) and 3(n) of this Agreement; provided further that you meet the requirements of Paragraph 5 and that the provision and payment to you of any such continuing benefits shall be made subject to the terms and conditions of each governing and applicable benefit plan as in effect on the date of such termination. All amounts payable to you under sub-clauses (1), (2), (3), (6), (7) and (8) of this Paragraph shall be remitted and paid by the Company to you within ten (10) days from and after your termination of employment hereunder in a single lump sum payment.

(h) In the event your employment is terminated by the Company without Cause (but not if you resign with Good Reason), and at that time the Company has in place a written

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severance plan or policy that has been approved by the Company's Board of Directors ("Company Severance Plan"), in addition to the benefits described in Paragraph 4(g), you may receive a "Lump Sum Severance Payment." The Lump Sum Severance Payment will be equal to the amount, if any, by which the cash payments due to you under the terms of the Company Severance Plan exceed the Base Salary continuation payable pursuant to Paragraph 4(g)(6). It is understood that the severance pay and benefits due to you under this Agreement are in lieu of, and not in addition to, any severance pay or benefits due to you under the Company Severance Plan.

(i) **No Mitigation or Offset.** If the Company terminates your employment other than for Cause or you resign and terminate your employment for Good Reason, you will have no duty to attempt to seek alternate employment or otherwise mitigate the payments or benefits owed to you from the Company under Paragraphs 4(e) or 4(g) hereof. In addition, the Company will not retain a right of offset against or have any right to reduce any amounts or benefits payable or

provided to you under this Agreement irrespective of any employment subsequently obtained by you or any salary, bonus and/or benefits or other compensation of any kind earned or received by you for services rendered to any third party, through self-employment or from any source whatsoever from and after the date of such termination hereunder.

5. Covenants.

(a) Acknowledgment. You acknowledge that you currently possess or will acquire secret, confidential, or proprietary information or trade secrets concerning the operations, future plans, or business methods of the Company and/or Blizzard. You agree that the Company would be severely damaged if you misused or disclosed this information or engaged in the activities described herein. To prevent this harm, you are making the promises set forth in this Paragraph 5. You acknowledge that the provisions of this Paragraph 5 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of such provisions would result in irreparable injury to the Company. In the event of a violation of the provisions of this Paragraph 5, you further agree that the Company will, in addition to all other remedies available to it, be entitled to seek equitable relief by way of injunction and any other legal or equitable remedies.

(b) Promise Not to Disclose. You will hold in a fiduciary capacity, for the benefit of the Company, all confidential or proprietary information, knowledge and data of the Company and/or Blizzard and Company Information (as defined below), which you may acquire, learn, obtain or develop during your employment by the Company. Further, you will not, during the Term or at any time thereafter, directly or indirectly use, communicate or divulge for your own benefit or for the benefit of another any such information, knowledge or data other than (i) as required by Blizzard or the Company or (ii) as required by law or as ordered by a court or in connection with governmental investigation or (iii) with respect to matters that are generally known to the public (other than as a result of your breach of this Agreement) or (iv) to your attorneys, but only to the extent necessary to allow their provision to you of professional services or (v) as necessary to permit you to defend against any claim or prosecute or enforce any rights dependent or reliant upon the information so disclosed. You make the same commitments with respect to the secret, confidential or proprietary information, knowledge and data of customers, contractors and others with whom the Company and/or Blizzard has a business relationship or to whom the Company and/or Blizzard owes a duty of confidentiality. The information covered by

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this protection includes, but is not limited to, matters of a business or strategic nature such as information about costs and profits, projections, personnel information, reengineering, records, customer lists, contact persons, customer data, software, sales data, possible new business ventures and/or expansion plans or matters of a creative nature, including without limitation, matters regarding ideas of a literary, creative, musical or dramatic nature, or regarding any form of product produced, distributed or acquired by Blizzard and/or the Company ("Company Information"). Company Information will be considered and kept as the private, proprietary and confidential information of the Company and Blizzard except within Blizzard and the Company as required to perform services, and may not be divulged (A) without the express written authorization of the Company or (B) unless required by law or ordered by a court or in connection with governmental investigation or (C) unless the Company Information is generally known to the public or (D) except to your attorneys, but only to the extent necessary to allow their provision to you of professional services or (E) except as necessary to permit you to defend against any claim or prosecute or enforce any rights dependent or reliant upon the information so disclosed. You further agree that you will neither publicly disclose the terms of this Agreement nor publicly discuss the Company in a manner that tends to portray the Company in an unfavorable light.

(c) Promise Not to Engage In Certain Activities. You will not at any time during your employment by the Company be or become (i) interested or engaged in any manner, directly or indirectly, either alone or with any person, firm or corporation now existing or hereafter created, in any business which is or may be competitive with the Company, Blizzard and/or the "Subject Businesses" of Vivendi S.A. (for so long as it is a shareholder of the Company) or (ii) directly or indirectly a stockholder or officer, director, agent, consultant or employee of, or in any manner associated with, or aid or abet, or give information or financial assistance to, any such business. The provisions of this Paragraph will not be deemed to prohibit your purchase or ownership, as a passive investment, of not more than five percent (5%) of the outstanding capital stock of any corporation whose stock is publicly traded. For purposes hereof, the "Subject Businesses" shall be comprised of commercial for profit activities consisting of either the creation, production, manufacture, sale or exploitation of either interactive video games or music (including those distributed by recorded or digital media); provided, that nothing contained herein shall prevent you from individually engaging in, providing or performing musical entertainment services as a performing or recording artist.

(d) Promise to Return Property. All records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the Company's and/or Blizzard's business in whatever form (including electronic) will be returned to the Company upon the termination of your employment, whether such termination is at your or the Company's request. Notwithstanding the foregoing, upon termination of your employment with the Company, you shall be entitled to retain possession of any and all personal files, personal service awards, and personal contact information generated by you (including your personal rolodex or other physical, digital, electronic or other repository of such information) in the course of your professional career and all personal effects or items including furnishings, artwork, decorations, statues, toys, books, merchandise and other similar personalty.

(e) Promise Not to Solicit. You will not during (i) the period of your employment by the Company and (ii) the period after termination of your employment with the Company and during which you are being paid under Paragraph 4 of this Agreement (including any period

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corresponding to any lump sum payment you may receive) (the "Restricted Period") directly or indirectly solicit for employment, employ or induce or attempt to induce any employees, consultants, contractors or representatives of the Company and/or Blizzard to stop working for, contracting with or representing the Company and/or Blizzard. Notwithstanding the foregoing, you shall not be in breach or violation hereof in the event you shall use any form of industry wide or public media to advertise, seek or solicit employment, consulting, contract or representative services. During the Restricted Period, you also shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any person known to you to be a customer, client, vendor or supplier of the Company and/or Blizzard (a "Customer") to terminate his, her or its relationship with the Company and/or Blizzard for any purpose, including the purposes of decreasing the amount of business that any such Customer conducts with the Company and/or Blizzard.

(f) Promise to Cooperate. During any period which you are being paid under Paragraph 4 of this Agreement after the termination of your employment with the Company (including any period corresponding to any lump sum payment you may receive), you agree to make yourself reasonably available, subject to your other personal and professional commitments and obligations, to provide information and other assistance as reasonably requested by the Company (and, at the expense of the Company), with respect to pending, threatened or potential claims and other matters related to the business of Blizzard about which you have personal knowledge as a result of your supervision or other involvement within such claims or matters performed in connection with your employment. In the event you are required to dedicate more than two hours per week or eight hours per month towards the provision of any support or assistance to the Company required hereunder, the Company shall compensate you at the same hourly equivalent rate determined based upon your Base Salary and assuming dedication of 2,000 hours per year in exchange for same. In all events, the Company shall reimburse you or pay on your behalf, all direct expenses incurred (including any travel) in connection with your fulfillment of your obligations under this Paragraph.

(g) Company Ownership. The results and proceeds of your services hereunder (excluding for all purposes of this Paragraph any such results or proceeds from your undertaking of the Permitted Activities), including, without limitation, any works of authorship or works in progress resulting from your services during your employment with the Company and/or any of the Company's Affiliates, will be works-made-for hire and the Company will be deemed the sole owner throughout the universe of any and all rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion without any further payment to you whatsoever. If, for any reason, any of such results and proceeds covered by this Paragraph will not legally be a work-for-hire and/or there are any rights which do not accrue to the Company under the preceding sentence, then you hereby irrevocably assign and agree to assign any and all of your right, title and interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, to the Company, and the Company will have the right to use the same in perpetuity throughout the universe in any manner the Company determines without any further payment to you whatsoever. You will, from time to time, as may be requested by the Company, do any and all things which the Company may deem useful or desirable to establish or document the

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Company's exclusive ownership of any and all rights in any such results and proceeds covered by this Paragraph, including, without limitation, the execution of appropriate copyright and/or patent applications or assignments. To the extent you have any rights in the results and proceeds of your services covered by this Paragraph that cannot be assigned in the manner described above, you unconditionally and irrevocably waive the enforcement of such rights. This Paragraph is subject to and will not be deemed to limit, restrict, or constitute any waiver by the Company of any rights of ownership to which the Company may be entitled by operation of law by virtue of the Company being your employer. You and the Company acknowledge that pursuant to California Labor Code §2870 certain inventions are not assignable to the Company, including any invention you develop entirely on your own time without using the Company's equipment, supplies, facilities or trade secret information. California Labor Code Section 2870 specifically provides:

Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

- (1) **Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or**
- (2) **Result from any work performed by the employee for the employer.**

(h) Prior Restrictions. You represent that you are free to enter into this Agreement and are not restricted in any manner from performing under this Agreement by any prior agreement, commitment, or understanding with any third party. If you have acquired confidential or proprietary information in the course of your prior employment or as a consultant, you will fully comply with any duties not to disclose such information then applicable to you during the Term.

6. Services Unique. You recognize that your services hereunder are of a special, unique, unusual, extraordinary and intellectual character, giving them a peculiar value, the loss of which the Company cannot be reasonably or adequately compensated for in damages. In the event of a breach of this Agreement by you (particularly, but without limitation, with respect to the provisions hereof relating to the exclusivity of your services and subject only to your performance of the Permitted Activities), the Company will, in addition to all other remedies available to it, be entitled to seek equitable relief by way of injunction and any other legal or equitable remedies. This provision will not be construed as a waiver of the rights which the Company may have for damages under this Agreement or otherwise, and all of the Company's rights and remedies will be unrestricted.

7. Notices. All notices and other communications hereunder will be in writing and will be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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If to Employee:

At the address indicated on the first page hereof.

With a copy to:

Greenberg Traurig, LLP
3290 Northside Parkway
Suite 400
Atlanta, Georgia 30327
Attention: Duane D. Sitar

If to the Company:

To the address(es) set forth on Exhibit A

or to such other address as either party will have furnished to the other in writing. All notices and communications shall be deemed to have been duly given and received: (a) on the date of receipt, if delivered by hand; (b) three (3) business days after being sent by first class certified mail, return receipt requested, postage prepaid; or (c) one (1) business day after sending by a nationally recognized next-day deliver service designated for priority overnight delivery with all delivery fees prepaid and with confirmation of receipt. As used herein, the term "business day" means any day that is not Saturday, Sunday or legal holiday in the State of California.

8. Assignment/Affiliated Corporations. The Company will have the right to assign this Agreement to any Affiliate or successor of the Company as long as such assignee fully assumes this Agreement in writing; provided, that any such assignment by the Company permitted hereunder shall not affect or relieve the Company from its continuing and primary responsibility and liability hereunder to you as a result of such assignee's breach, violation or default of any obligation owed to you hereunder. You acknowledge and agree that all of your covenants and obligations to the Company, as well as the rights of the Company hereunder, will run in favor of and will be enforceable by the Company, its Affiliates and their successors. Upon to the Closing (as defined in the Business Combination

Agreement), Vivendi Games (i) shall assign its obligations under this Agreement to the Company and (ii) shall use its reasonable best efforts to cause the Company to assume this Agreement. Vivendi Games hereby represents and warrants to you that the terms and provisions of the Business Combination Agreement require that the Company assume this Agreement and employ you hereunder upon the occurrence of the Closing thereunder and effective as of the Closing Date thereunder. The Company's assumption of this Agreement shall be evidenced by an assignment and assumption agreement, a copy of which will be provided to you promptly following the Closing Date.

9. Miscellaneous. No provisions of this Agreement may be amended, modified, waived, or discharged except by a written document signed by you and a duly authorized officer of the Company. A waiver of any conditions or provisions of this Agreement in a given instance will not be deemed a waiver of such conditions or provisions at any other time. The validity, interpretation, construction, and performance of this Agreement will be governed by the laws of the State of California. This Agreement will be binding upon, and will inure to the benefit of, you and your estate and the Company and any successor thereto, but neither this Agreement nor any rights arising under it may be assigned or pledged by you.

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10. Validity. If any of the provisions of this Agreement shall otherwise contravene or be invalid under the laws of any state, country or other jurisdiction where this Agreement is applicable but for such contravention or invalidity, such contravention or invalidity shall not invalidate all of the provisions of this Agreement but rather it shall be construed, insofar as the laws of that state, country or jurisdiction are concerned, as not containing the provision or provisions contravening or invalid under the laws of that state or jurisdiction, and the rights and obligations created hereby shall be construed and enforced accordingly.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute the same instrument.

12. Entire Agreement. This Agreement along with the Exhibits attached hereto set forth the entire understanding between you and the Company; all oral or written agreements or representations, express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement or within the plans, policies or programs referenced herein. All prior employment agreements, understandings and obligations (whether written, oral, express or implied) between you and the Company, if any, are terminated as of the Commencement Date of the Term and are superseded by this Agreement.

13. Section 409A.

(a) Specified Employee. If you are a "specified employee" as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and guidance issued thereunder ("Section 409A"), then you shall not be entitled to any payments or benefits hereunder that constitute deferred compensation subject to Section 409A, and whose payment or provision is triggered by your termination of employment (whether such payments or benefits are provided to you under this Agreement or under any other plan, program or arrangement of the Company or Blizzard) and is not otherwise subject to or qualifies for an exemption or exception from the application of Section 409A, until the earlier of (i) the date which is the first business day following the six-month anniversary of your termination of employment for any reason other than death (on which date all payments otherwise due or owing to you which are delayed hereunder shall be retroactively made in full) or (ii) your date of death. The Company shall make the determination as to whether you are a "specified employee" in good faith in accordance with its uniform methodology and procedures adopted in accordance with Section 409A and, at the time of your termination of employment will notify you whether or not you are a "specified employee." For all purposes of this Agreement, it is hereby agreed that each and every payment made to you as a result of your termination of employment hereunder (notwithstanding any expression or remittance of same upon installment or similar terms) shall constitute a separate payment for all purposes of Section 409A.

(b) Section 409A Matters. This Agreement is intended to satisfy the requirements of Section 409A of the Code with respect to amounts, if any, subject thereto and shall be interpreted and construed and shall be performed by the parties consistent with such intent. If either party notifies the other in writing that, based on the advice of legal or tax counsel, one or more of the provisions of this Agreement contravenes Section 409A or causes any amounts to be subject to interest, additional tax or penalties under Section 409A, the parties shall promptly and reasonably consult with each other (and with their legal counsel), and shall use their reasonable

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best efforts, to reform the provisions hereof to (i) maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A of the Code or increasing the costs to the Company of providing or decrease the amount received by you under the applicable benefit or payment and (ii) to the extent possible, to avoid the imposition of any interest, additional tax or other penalties under Section 409A upon you or the Company. Except as expressly provided otherwise herein, no reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company or Blizzard covered by this Agreement shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

14. Indemnity. Notwithstanding anything contained herein to the contrary, the Company hereby agrees to fully and unconditionally indemnify, defend and hold you harmless to the maximum extent permitted under applicable law from and against any and all lawsuits, claims, causes of action, allegations or accusation incurred or encountered by you as a result, in connection with or arising from or under your good faith performance or rendering of any duties, services, or activities for or on behalf of the Company or its Affiliates or your status as an employee, officer, director, shareholder, owner, agent, fiduciary or representative of the Company. In furtherance of the foregoing, the Company agrees to both (i) throughout the Term and for not less than six (6) years from and after the termination of your employment with the Company, to maintain or cause to be maintained errors and omissions, directors and officers, and such other liability insurance upon terms and conditions no less favorable than those currently in effect or otherwise hereafter maintained by any Company Affiliate and to cause you to be named as an additional insured under any such insurance policies with all coverage provided thereunder being primary and with all rights of subrogation as against you under such policies being waived and (ii) extend all rights of indemnification from the Company to you upon terms and conditions and subject to insurance coverage levels no less favorable than those offered or extended by the Company or its Affiliates to the Company's or such Affiliates employees, officers or directors.

15. Affiliates. For all purposes of this Agreement, the term "Affiliates" as it applies to any party hereto shall mean, as applicable, (a) any person or entity which directly or indirectly (through one or more intermediaries) is controlling, controlled by or under common control with that party, (b) any person or entity owning or controlling more than ten percent (10%) of the outstanding voting securities or beneficial interests of that party, or (c) in the case of an individual, such party's spouse, lineal descendants or lineal ancestors. For purposes of this Agreement, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such party.

If the foregoing terms are acceptable to you, please execute this letter below and return it to me. A duplicate original is enclosed for your records.

Very truly yours,

VIVENDI GAMES, INC.

By: /s/ Bruce L. Hack
Bruce L. Hack, Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Michael Morhaim
Michael Morhaim

[signature page to employment agreement]

Exhibit A – Notices

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of July 9, 2008, is made between VIVENDI GAMES, INC., a Delaware corporation (the "Assignor") and ACTIVISION, INC., a Delaware corporation (also known as ACTIVISION BLIZZARD, INC., the "Assignee").

RECITALS

The Assignor and the Assignee have entered into that certain Business Combination Agreement, dated as of December 1, 2007 (the "BCA"), pursuant to which, among other things, the Assignor has agreed to assign to Assignee and the Assignee has agreed to assume from the Assignor the Assignor's rights, duties and obligations under the employment agreements listed in Exhibit A attached hereto after the closing of the transactions contemplated by the BCA (the "Employment Agreements").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Assignee hereby agrees to pay, discharge, perform or otherwise satisfy, and assumes and agrees to be bound by, all obligations of the Assignor under the Employment Agreements.
2. The Assignor hereby contributes, conveys, transfers and assigns to the Assignee all of the Assignor's rights, duties and obligations under the Employment Agreements.
3. Nothing in this Agreement shall alter any liability or obligation of the Assignor or the Assignee arising under the BCA.
4. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
5. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York.
6. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[The remainder of this page has been intentionally left blank.]

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

VIVENDI GAMES, INC.

By: /s/ Bruce L. Hack
 Name: Bruce L. Hack
 Title: Chief Executive Officer

ACTIVISION, INC.

By: /s/ Robert A. Kotick
 Name: Robert A. Kotick
 Title: Chief Executive Officer

[Signature Page to Assignment and Assumption Agreement]

EXHIBIT A

EMPLOYMENT AGREEMENTS

1. Letter agreement, dated December 1, 2007, by and between Vivendi Games, Inc. and Michael Morhaime providing for Mr. Morhaime's employment as President and Chief Executive Officer of Blizzard Entertainment, Inc.
2. Letter agreement, dated December 1, 2007, by and between Vivendi Games, Inc. and Paul Sams providing for Mr. Sams' employment as Chief Operating Officer of Blizzard Entertainment, Inc.
3. Letter agreement, dated December 1, 2007, by and between Vivendi Games, Inc. and Frank Pearce providing for Mr. Pearce's employment as Executive Vice President, Product Development of Blizzard Entertainment, Inc.
4. Letter agreement, dated December 1, 2007, by and between Vivendi Games, Inc. and Robert Pardo providing for Mr. Pardo's employment as Senior Vice President, Game Design of Blizzard Entertainment, Inc.
5. Letter agreement, dated December 1, 2007, by and between Vivendi Games, Inc. and Christopher Metzen providing for Mr. Metzen's employment as Vice President, Creative Development of Blizzard Entertainment, Inc.

6. Letter agreement, dated December 1, 2007, by and between Vivendi Games, Inc. and Neal Hubbard providing for Mr. Hubbard's employment as Vice President, Global Marketing of Blizzard Entertainment, Inc.
 7. Letter agreement, dated June 25, 2008, by and between Vivendi Games, Inc. and Robert Bridenbecker providing for Mr. Bridenbecker's employment as Vice President, Online Technologies of Blizzard Entertainment, Inc.
 8. Letter agreement, dated June 25, 2008, by and between Vivendi Games, Inc. and Michael Ryder providing for Mr. Ryder's employment as Vice President and Executive Managing Director, International Operations of Blizzard Entertainment, Inc.
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AMENDED AND RESTATED STOCK OPTION AGREEMENT

For 1,000,000 Shares

ACTIVISION BLIZZARD, INC.

THIS STOCK OPTION AGREEMENT (THIS "OPTION AGREEMENT") CERTIFIES that on June 15, 2005 (the "Issuance Date"), Michael Griffith (the "Holder") was granted an option (the "Option") to purchase at the option price of \$17.12 per share, all or any part of 1,000,000 fully paid and non-assessable shares ("Shares") of common stock, par value \$.000001 per share, of ACTIVISION BLIZZARD, INC., a Delaware corporation (the "Company"), upon and subject to the following terms and conditions:

1. *General Terms of the Option.*

(a) The Option was granted as of June 15, 2005, as a material inducement to the Holder's entering into employment with the Company pursuant to an employment agreement dated June 15, 2005, and is being amended in connection with the amendment of such employment agreement dated December 1, 2007 (as so amended, the "Employment Agreement"), effective as of the Consummation Date (as defined in the Employment Agreement). As amended, the Option is to purchase all or any part of 1,333,334 Shares at the option price of \$12.34 per Share upon and subject to the terms and conditions set forth in this Option Agreement, which represents the original option price and number of Shares subject to the Option, as adjusted in each case for each split of the Common Stock occurring between the Issuance Date and the Consummation Date

(b) This Option has been granted pursuant to and is subject to the terms and conditions of the Company's 2003 Incentive Plan (the "Plan"), and the terms and conditions of the Plan shall be deemed to be incorporated herein by reference and made a part of this Option. Holder hereby acknowledges by his signature below that he has received a copy of the Plan. Capitalized terms used herein shall have the meanings set forth in the Plan, unless otherwise defined herein.

2. *Expiration.* This Option shall expire on June 30, 2015, unless extended or earlier terminated in accordance herewith.

3. *Exercise.* Except as otherwise permitted under the Plan, this Option may be exercised or surrendered during the Holder's lifetime only by the Holder or his/her guardian or legal representative. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN, THIS OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHERWISE THAN BY WILL OR BY THE LAWS OF DESCENT AND DISTRIBUTION. With the Company's consent which may granted or withheld in its sole discretion, Options may be transferred to certain permitted assignees, such as certain relatives of, or entities controlled by, the Participant, as more fully set forth in Section 8.3 of the Plan.

This Option shall vest and be exercisable as follows (except as otherwise provided in this Option Agreement or the Employment Agreement):

Vesting Date	Shares Vested at Vesting Date	Cumulative Shares
June 15, 2006	93,334	93,334
June 15, 2007	93,334	186,668
June 15, 2008	93,333	280,001
June 15, 2009	1,053,333	1,333,334

This Option shall be exercised by the Holder (or by his executors, administrators, guardian or legal representative) as to all or part of the Shares, by the giving of written notice of exercise to the Company,

specifying the number of Shares to be purchased, accompanied by payment of the full purchase price for the Shares being purchased. Full payment of such purchase price shall be made at the time of exercise and shall be made (i) in cash or by certified check or bank check or wire transfer of immediately available funds, (ii) with the consent of the Company, by tendering previously acquired Shares (valued at their then Fair Market Value (as defined in the Plan), as determined by the Company as of the date of tender) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company's earnings), or (iii) with the consent of the Company, a combination of (i) and (ii). Such notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Company may from time to time direct, and shall be in such form, containing such further provisions as the Company may from time to time prescribe. In no event may this Option be exercised for a fraction of a Share. The Company shall effect the transfer of Shares purchased pursuant to an Option as soon as practicable, and, within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. No person exercising this Option shall have any of the rights of a holder of Shares subject to this Option until certificates for such Shares shall have been issued following the exercise of such Option. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

4. *Tranches Subject to Acceleration.* Pursuant to Paragraph 2(e)(ii) of the Employment Agreement, of the 1,053,333 Shares scheduled to vest on June 15, 2009, 466,667 Shares may be subject to accelerated vesting if Holder shall achieve certain performance objectives to be mutually determined by Holder and the Company at the rate of 155,556 Shares to vest on June 30, 2007 for achievement of such performance objectives during the Company's fiscal year 2007, 155,556 Shares to vest on June 30, 2008 for achievement of such performance objectives during the Company's fiscal year 2008, and 155,555 Shares to vest on a date established by the Company for achievement of such performance objectives during the Company's fiscal year 2009. In addition, pursuant to Paragraph 9(d)(i) of the Employment Agreement, if the Holder dies prior to June 15, 2009, a pro rata (based upon the amount of time between the Issuance Date and the date of the death of the Holder) portion of 866,667 of the Shares schedule to vest on June 15, 2009 shall immediately vest upon the death of the Holder.

5. *Termination of Employment.* In the event of the termination of employment or separation from service of the Holder for any reason (other than death or disability as provided below), this Option, to the extent not previously exercised or expired, shall be deemed cancelled and terminated on the day of such termination or separation, unless the Company decides, in its sole discretion, to extend the term of this Option, subject to the terms of the Plan, except that if your employment is terminated by the Company other than for Cause (as defined in the Employment Agreement), the term of this Option shall be extended and shall be exercisable for a period of thirty (30) days following the date of termination.

6. *Death.* In the event the Holder dies while employed by the Company or any of its subsidiaries or affiliates, this Option, to the extent not previously exercised or expired, shall, to the extent exercisable on the date of death, be exercisable by the estate of the Holder or by any person who acquired this Option by bequest or inheritance, at any time within one year after the death of the Holder, *provided, however,* that if the term of such Option would expire by its terms within six months after the Optionee's death, the term of such Option shall be extended until six months after the Optionee's death.

7. *Disability.* In the event of the termination of employment of the Holder or the separation from service of the Holder due to the Disability (as defined in Paragraph 9(c) of the Employment Agreement) of the Holder, the Holder, or his guardian or legal representative, shall have the unqualified right to exercise any portion of this Option which has not been previously exercised or expired and which the Holder was eligible to exercise as of the first date of Disability, at any time within one year after such termination or separation, *provided, however*, that if the term of such Option would expire by its terms within six months after such termination or separation, the term of such Option shall be extended until six months after such termination or separation.

8. *Employment Violation.* In consideration of the granting and by acceptance of this Option, the Holder hereby agrees that the terms of this Section 8 shall apply to the Option. The Holder acknowledges and agrees that each exercise of this Option and each written notice of exercise delivered to

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the Company and executed by the Holder shall serve as a reaffirmation of and continuing agreement by the Holder to comply with the terms contained in this Section 8.

The Company and the Holder acknowledge and agree that if the Holder materially breaches the Employment Agreement (it being understood that any breach of the post-termination obligations contained therein shall be deemed to be material) for so long as the terms of the Employment Agreement shall apply to the Holder (each an "Employment Violation"), the Company shall have the right to require (i) the termination and cancellation of the unexercised portion of this Option, if any, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount (as defined below). The Company and the Holder further agree that such termination of unexercised Options and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with any such Employment Violation including, without limitation, the right to terminate the Holder's employment if not already terminated, seek injunctive relief and additional monetary damages.

For purposes of this Section 8, the "Recapture Amount" shall mean the gross gain realized or unrealized by the Holder upon each exercise of this Option during the period beginning on the date which is twelve (12) months prior to the date of the Holder's Employment Violation and ending on the date of computation (the "Look-back Period"), which gain shall be calculated as the sum of:

(a) as to any Shares acquired by the Holder upon exercise of any portion of this Option during the Look-back Period and thereafter sold, an amount equal to the product of (x) the sales price per Share sold minus the exercise price per Share times (y) the number of Shares as to which this Option was exercised and which were sold at such sales price; plus

(b) as to any Shares acquired by the Holder upon exercise and not thereafter sold, with respect to each of such Shares an amount equal to the product of (x) the greatest of the following: (1) the Fair Market Value per Share on the date of exercise, (2) the arithmetic average of the per Share closing sales prices as reported on NASDAQ for the thirty (30) trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under this Section 8, or (3) the arithmetic average of the per Share closing sales prices as reported on NASDAQ for the thirty (30) trading day period ending on the trading day immediately preceding the date of computation, minus the exercise price per Share times (y) the number of Shares as to which this Option was exercised and which were not sold; provided, however, in lieu of payment by the Holder to the Company of the Recapture Amount determined pursuant to clause (b) above, the Holder, in his discretion, may tender to the Company the Shares acquired upon exercise of this Option during the Look-back Period and the Optionee shall not be entitled to receive any consideration from the Company in exchange therefor.

9. *Registration; Postponement.* The Company may postpone the issuance and delivery of Shares upon any exercise of this Option until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same class are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Holder shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Shares in compliance with the provisions of that or any comparable act. The Company shall have the right to register the Shares underlying this Option on a Form S-8 or S-3 to facilitate their resale by the Holder.

10. *Adjustments.* In the event that the Company shall determine that any dividend or other distribution (whether in the form of cash, shares of common stock of the Company, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of common stock of the Company or other securities, the issuance of warrants or other rights to purchase shares of common stock of the Company, or

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other securities, or other similar corporate transaction or event affects the Shares, such that an adjustment is determined by the Company to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available to the Holder, then the Company shall, in such manner as the Company may deem equitable, adjust any or all of (i) the number and type of shares of common stock of the Company subject to this Option, and (ii) the grant, option or exercise price with respect to this Option, or, if deemed appropriate, make provision for a cash payment to the Holder.

11. *Delivery of Share Certificates.* Within a reasonable time after the exercise of this Option, the Company shall cause to be delivered to the person entitled thereto a certificate for the Shares purchased pursuant to the exercise of this Option. If this Option shall have been exercised with respect to less than all of the Shares subject to this Option, the Company shall also cause to be delivered to the person entitled thereto a new Stock Option Agreement in replacement of this Option Agreement if surrendered at the time of the exercise of this Option, indicating the number of Shares with respect to which this Option remains available for exercise, or the Company shall make a notation in its books and records to reflect the partial exercise of this Option.

12. *Withholding.* In the event that the Holder elects to exercise this Option or any part thereof, and if the Company or any subsidiary or affiliate of the Company shall be required to withhold any amounts by reasons of any federal, state or local tax laws, rules or regulations in respect of (a) the issuance of Shares to the Holder pursuant to this Option, or (b) the exercise or disposition (in whole or in part) of the Option, the Company or such subsidiary or affiliate shall be entitled to deduct and withhold such amounts from any payments to be made to the Holder. In any event, the Holder shall make available to the Company or such subsidiary or affiliate, promptly when requested by the Company or such subsidiary or affiliate, sufficient funds to meet the requirements of such withholding; and the Company or such subsidiary or affiliate shall be entitled to take and authorize such steps as it may deem advisable in order to have such funds available to the Company or such subsidiary or affiliate out of any funds or property due or to become due to the Holder.

13. *Reservation of Shares.* The Company hereby agrees that at all times there shall be reserved for issuance and/or delivery upon exercise of this Option such number of Shares as shall be required for issuance or delivery upon exercise hereof.

14. *Rights of Holder.* Nothing contained herein shall be construed to confer upon the Holder any right to be continued in the employ of the Company and/or any subsidiary or affiliate of the Company or derogate from any right of the Company and/or any subsidiary or affiliate of the Company to retire, request the resignation of, or discharge the Holder at any time, with or without cause. The Holder shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or in equity, and the rights of the Holder are limited to those expressed herein and are not enforceable against the Company except to the extent set forth herein.

15. *Exclusion from Pension Computations.* By acceptance of the grant of this Option, the Holder hereby agrees that any income realized upon the receipt or exercise hereof, or upon the disposition of the Shares received upon its exercise, is special incentive compensations and, to the extent permissible under applicable law, shall not be taken into account as "wages", "salary" or "compensation" in determining the amount of any payment under any pension, retirement, incentive, profit sharing, bonus or deferred compensation plan of the Company or any of its subsidiaries or affiliates.

16. *Legend.* The Company may cause the following or a similar, legend to be set forth on each certificate representing Shares or any other security issued or issuable upon exercise of this Option unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE

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ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

17. *Amendment.* The Company may, with the consent of the Holder, at any time or from time to time amend the terms and conditions of this Option, and may at any time or from time to time amend the terms of the Plan.

18. *Notices.* Any notice which either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: General Counsel, or at such other address as the Company by notice to the Holder may designate in writing from time to time; and if to the Holder, at the address shown below his signature on this Option Agreement, or at such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

19. *Interpretation.* A determination of the Committee as to any questions which may arise with respect to the interpretation of the provisions of this Option and of the Plan shall be final and binding. The Committee may authorize and establish such rules, regulations and revisions thereof as it may deem advisable.

[Remainder of page intentionally blank.]

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IN WITNESS WHEREOF, the parties have executed this Option Agreement as of the date first set forth above.

Dated: July 9, 2008

ACTIVISION BLIZZARD, INC.

By: /s/ Ann E. Weiser
Ann E. Weiser
Chief Human Resources Officer

Accepted and Confirmed:

/s/ Michael Griffith
MICHAEL GRIFFITH

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ACTIVISION BLIZZARD, INC.
AMENDED AND RESTATED
RESTRICTED STOCK AWARD AGREEMENT

You have been awarded restricted shares of the Company's common stock, \$0.000001 par value per share ("Restricted Stock"), subject to the following terms and conditions:

- Name of Grantee: Michael Griffith
- Total Number of Shares of Restricted Stock Awarded: 155,763 (1)
- Date of Grant: June 15, 2005
- This award of Restricted Stock was made as of June 15, 2005 made as a material inducement for the Grantee to enter into an employment agreement dated June 15, 2005, and is being amended in connection with the amendment of such employment agreement dated December 1, 2007 (as so amended, the "Employment Agreement"), effective as of the Consummation Date (as defined in the Employment Agreement). This award of Restricted Stock is governed by the terms of the Employment Agreement and the terms of the Amended and Restated Restricted Stock Award Terms attached hereto as Exhibit A. In addition, this award of Restricted Stock is granted under and subject to the terms and conditions of the Company's 2003 Incentive Plan (the "Plan"), the terms, conditions and definitions of which are hereby incorporated herein as though set forth at length, and the receipt of a copy of which the Grantee hereby acknowledges by his signature on the irrevocable stock attached hereto as Exhibit B. Capitalized terms used herein shall have the meanings set forth in the Plan, unless otherwise defined herein.
- **This award of Restricted Stock is conditioned upon your endorsement in blank of the irrevocable stock power attached hereto as Exhibit B. If you do not return the attached irrevocable stock power within sixty (60) days from the Date of Grant, this award shall be deemed forfeited. As such, promptly endorse and return the attached irrevocable stock power to the General Counsel at the following address:**

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Chief Legal Office
- If you wish to elect a designated beneficiary to whom shares of common stock otherwise due to you pursuant to the terms of this award shall be distributed in the event of your death prior to distribution, please complete and return to the General Counsel along with your irrevocable stock power the beneficiary designation form attached hereto as Exhibit C.

Dated: July 9, 2008

ACTIVISION BLIZZARD, INC.

By: /s/ Ann E. Weiser
Ann E. Weiser
Chief Human Resources Officer

Accepted and Confirmed:

/s/ Michael Griffith
MICHAEL GRIFFITH

(1) Amount equal to \$2,000,000 divided by the closing price of ATVI stock as reported on closing on NASDAQ on June 15, 2005, as adjusted for each split of the Common Stock occurring between that date and the Consummation Date.

EXHIBIT A
ACTIVISION BLIZZARD, INC.
AMENDED AND RESTATED
RESTRICTED STOCK AWARD TERMS

Activision Blizzard, Inc., a Delaware corporation ("Company"), has granted you ("Grantee") an award of restricted stock pursuant to the terms and conditions set forth in your Amended and Restated Notice of Restricted Stock Award ("Grant Notice"), these Amended and Restated Restricted Stock Award Terms ("Award Terms") and your Employment Agreement (defined in the Grant Notice). In addition, this award of Restricted Stock is subject to the terms and conditions of the Company's 2003 Incentive Plan (the "Plan"), the terms, conditions and definitions of which are hereby incorporated herein as though set forth at length, and the receipt of a copy of which the Grantee hereby acknowledges by his signature on the irrevocable stock power attached to the Grant Notice as Exhibit B. Capitalized terms used herein shall have the meanings set forth in the Plan, unless otherwise defined herein. The text of the Plan and the Grant Notice are incorporated herein by reference and made a part of these Award Terms.

1. Definitions. For purposes of this Award, the following terms shall have the meanings set forth below:

"**Anniversary Date**" means the annual anniversary of the Date of Grant.

"**Award**" means this Restricted Stock Award.

“**Board**” means the Board of Directors of the Company.

“**Code**” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

“**Committee**” means the Compensation Committee of the Board or such other Board committee designated by the Board in accordance with the Plan.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Date of Grant**” means the Date of Grant set forth on the Grant Notice.

“**Disability**” shall have the meaning set forth in the Employment Agreement.

“**Grant Notice**” means the Notice of Restricted Stock Award accompanying these Award Terms.

“**Plan**” means the Activision, Inc. 2003 Incentive Plan, as amended from time to time.

“**Restricted Shares**” means shares of Common Stock subject to the Award which are subject to the Restrictions. This amount shall include any additional shares of Common Stock resulting from the investment of dividends declared on existing Restricted Shares pursuant to Section 6 hereof and additional or different securities issued as a result of any adjustment pursuant to Section 10 hereof.

“**Restrictions**” means the restrictions set forth in Section 3 hereof which are imposed on shares of Common Stock subject to this Agreement prior to vesting.

“**Vested Shares**” means the shares of Common Stock subject to this Agreement which have become vested pursuant to Section 4 or 5 hereof and are, therefore, no longer subject to the Restrictions.

2. **Grant of Restricted Stock.** Pursuant to action of the Board and in accordance with the Employment Agreement, the Company hereby awards to Grantee the number of shares of Common Stock as set forth on the Grant Notice.

3. **Restrictions.** From the Date of Grant until the date Grantee obtains a vested right to shares of Common Stock subject to this Award pursuant to Section 4, 5 or 10 hereof, neither the shares of Common Stock subject to this Award (including any additional shares resulting from the reinvestment of dividends declared on the original shares awarded or an adjustment of the original shares pursuant to Section 10 hereof) nor any right or privilege pertaining thereto may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed or encumbered in any way, otherwise than by transfer to a trust in accordance with Section 15 hereof, and shall not be subject to execution, attachment or similar process (collectively, the “Restrictions”). Any attempt to sell, transfer, assign, pledge, hypothecate or otherwise dispose of or encumber the Restricted Shares or any right or privilege pertaining thereto, otherwise than by transfer to a trust pursuant to Section 16 hereof, shall be null and void and of no force and effect. Upon the lapse of the Restrictions with respect to any shares of Common Stock subject to this Award, Grantee shall obtain a vested right to such shares of Common Stock.

4. **Vesting.** Except as otherwise provided in Section 5 or 10, provided that Grantee remains in continuous employment with the Company or any of its subsidiaries or affiliates on the applicable date, the Restrictions with respect to the original number of Restricted Shares set forth on the Grant Notice shall lapse in two installments, with one-third of the shares to vest on the third Anniversary Date and two-thirds of the shares to vest on the fourth Anniversary Date, as adjusted to account for additional shares of Common Stock resulting from dividend reinvestment pursuant to Section 6 hereof or any adjustment pursuant to Section 9 hereof. Fractional shares shall be rounded up to the nearest whole share of Common Stock (for which purpose one-half share shall be rounded up to the nearest whole share of Common Stock). Upon termination of Grantee’s employment with the Company and its subsidiaries and affiliates for any reason other than death or Disability, whether by action of Grantee or the Company, any remaining Restricted Shares which have not become vested in accordance with this Section 4 shall immediately be forfeited to the Company without payment of consideration by the Company.

5. **Tax Withholding.** Upon the lapse of the Restrictions (or any such earlier time, if any, that an election is made under Section 83(b) of the Code, or any successor provision thereto, to include the value of such shares in taxable income), the Company shall be entitled to withhold from Grantee’s compensation any required taxes, including, but not limited to, Grantee’s social security and Medicare taxes and federal, state and local income tax with respect to the income arising from the lapse of the Restrictions. The Company shall have the right to require the payment of any such taxes before delivering the stock certificate with respect to the Vested Shares and the related stock power held by the Company in accordance with Section 6 hereof. Alternatively, in lieu of such withholding, Grantee shall be entitled to cover all or any part of the taxes arising from the lapse of the Restrictions through a reduction of the number of Vested Shares delivered to Grantee or a delivery, or tender, to the Company of shares of Common Stock already held by Grantee, in each case valued in the same manner as used in computing withholding taxes under the applicable laws. Additionally, to the extent it is determined by a regulatory agency or a court of competent jurisdiction that shares of Common Stock which would otherwise be considered Restricted Shares pursuant to the terms of the Award nevertheless result in current federal or state taxation, (i) all Restrictions as to such shares shall immediately lapse, (ii) such shares shall immediately become Vested Shares and (iii) Grantee shall be entitled to cover all or any part of the taxes through a reduction of such Restricted Shares resulting in the taxable event.

6. **Custody, Voting and Dividends.** Restricted Shares shall be held in certificated form by the Company or its agent for Grantee’s account, with appropriate notation of the Restrictions made in the Company’s records and on the certificate for the Restricted Shares. Additionally, the grant of Restricted Shares is conditioned upon Grantee’s endorsement in blank of the irrevocable stock power attached to the

Grant Notice as Exhibit B. The irrevocable stock power must be endorsed and returned to the General Counsel within sixty (60) days from the Date of Grant. Failure to do so within the prescribed time period will result in an immediate forfeiture of the Restricted Shares. At the option of the Grantee, any dividends declared on Restricted Shares shall be reinvested in additional shares of Common Stock (in accordance with such methods or procedures as shall be established from time to time by the Committee), which shall vest concurrently with the Restricted Shares, or shall be paid to the Grantee concurrently with the payment of such dividends to all other record holders of Common Stock. To the extent the Restricted Shares have not been forfeited, Grantee shall be entitled to voting privileges associated with the Restricted Shares.

7. Lapse of Restrictions. If, and when, the Restrictions lapse, the Company shall distribute certificates for such Vested Shares to the Grantee, which will not bear any restrictive legend other than such legends as may be required pursuant to applicable securities or blue sky laws. Additionally, the Company will deliver to Grantee no later than thirty (30) days following the lapse of such Restrictions the related irrevocable stock power held by the Company pursuant to Section 6 hereof.

8. Committee Discretion. The Committee shall have plenary authority to (a) interpret any provision of these Award Terms, (b) make any determinations necessary or advisable for the administration of the Award, and (c) waive any conditions or rights under the Award, or amend, alter, accelerate, suspend, discontinue or terminate the Award; provided, however, that, except as provided in Section 9 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of this Award may impair the rights of Grantee with the Award or modify the Award in any way materially inconsistent with the terms of Employment Agreement.

9. Adjustments. Notwithstanding anything to the contrary herein, in the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, shares or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the Restricted Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the rights of Grantee under this Award, then the Committee shall, in such manner as it may deem equitable, make any adjustments to the Award it deems appropriate. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any subsidiary or affiliate or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations or accounting principles.

10. Postponement; Registration. The Company may postpone the issuance and delivery of Restricted Shares until (a) the admission of such Restricted Shares to listing on any stock exchange or exchanges on which Common Stock of the Company are then listed and (b) the completion of such registration or other qualification of such Restricted Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Grantee shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Restricted Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Restricted Shares in compliance with the provisions of that or any comparable act. The Company shall have the right to register the Restricted Shares on a Form S-8 or S-3 to facilitate their resale by the Grantee.

11. Beneficiary Designations. Grantee shall file with the Executive Vice President of Human Resources on the form attached to the Grant Notice as Exhibit C, or such other form as may be prescribed by the Company, a designation of a primary beneficiary(ies) and a contingent beneficiary(ies) to whom shares of Common Stock otherwise due to Grantee pursuant to the terms hereof shall be distributed in the event of the death of Grantee prior to distribution. Grantee shall have the right to change the beneficiary from time to time; provided, however, that any change shall not become effective until received in writing by the secretary of the Company or its designee. If any designated beneficiary survives Grantee but dies before receiving all of Grantee's benefits hereunder to which he or she is entitled, any remaining benefits due Grantee to which the deceased beneficiary is entitled shall be distributed to the deceased

beneficiary's estate. If there is no effective beneficiary designation on file at the time of Grantee's death, or if the designated primary beneficiary(ies) and contingent beneficiary(ies) predecease Grantee, the payment of benefits shall be made to Grantee's estate.

12. Legend. The Company may cause the following or a similar legend to be set forth on each certificate representing Restricted Shares or any other security issued unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

13. No Right to Continued Employment. Nothing in these Award Terms shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the employment of Grantee at any time for any reason.

14. Governing Law. To the extent federal law does not otherwise control, the validity, interpretation, performance and enforcement of this Award shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

15. Successors and Assigns. The provisions of this Award shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's legal representative. Grantee may transfer Restricted Shares to the trustee of a trust only to the extent approved in advance by the Committee (or its designee), in its sole discretion, and the Restricted Shares are held by such trustee subject to all the terms and conditions set forth in this Award. Furthermore, as a condition to transfer, the Committee (or its designee) shall have the authority to require the trustee to execute any documentation deemed appropriate by the Committee (or its designee) to ensure the Restricted Shares will continue to be subject to the terms and conditions set forth in this Award.

EXHIBIT B

IRREVOCABLE STOCK POWER

FOR VALUE RECEIVED, and pursuant to the Restricted Stock Award dated as of _____ (the "Award"), the undersigned does hereby sell, assign, transfer and convey to

Activision Blizzard, Inc.(the "Company") _____ shares of Activision Blizzard, Inc. common stock, \$0.000001 par value, represented by Certificate(s) No. _____, and hereby irrevocably constitutes and appoints _____ to transfer said stock on the books of the Company, with full power of substitution in the premises.

First Name Middle Name Last Name

Date

Instructions: Please do not fill in any blanks other than the signature line. The purpose of this irrevocable stock power is to enable the Company to exercise full ownership and control over the restricted stock subject to the Award in the event of forfeiture.

EXHIBIT C

ACTIVISION BLIZZARD, INC.

Restricted Stock Award dated as of _____, 20

Designation of Beneficiary

I, _____ (“Grantee”), hereby designate

PRIMARY

(Print Beneficiary’s Name) Last First Middle Initial

Print Beneficiary’s Address Relationship

PRIMARY

(Print Beneficiary’s Name) Last First Middle Initial

Print Beneficiary’s Address Relationship

as my primary beneficiary(ies) for purposes of the above-referenced award (“Award”). In the event of my death prior to the distribution of all shares of Common Stock otherwise due to me pursuant to the Award, such primary beneficiary(ies) shall receive the remaining amount in equal shares. If none of the above-named primary beneficiary(ies) survive me, the remaining amount of shares of Common Stock shall be distributed in equal shares to those then living of the following person(s):

SECONDARY

(Print Beneficiary’s Name) Last First Middle Initial

Print Beneficiary’s Address Relationship

SECONDARY

(Print Beneficiary’s Name) Last First Middle Initial

Print Beneficiary’s Address Relationship

It is understood that this Designation of Beneficiary is made pursuant to the Award and is subject to the conditions stated therein. It is further understood that all prior designations of beneficiary under the Award are hereby revoked and that this Designation of Beneficiary may only be revoked in writing, signed by Grantee and filed with the Company prior to Grantee’s death.

Date Grantee

ACKNOWLEDGED AND ACCEPTED BY THE COMPANY:

Date Signature of Company Representative

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Michael Morhaime**
- Total number of Shares purchasable upon exercise of the Stock Option awarded: **300,000**
- Exercise Price: **US\$30.07** per Share
- Date of Grant: **July 9, 2008**
- Expiration Date: **July 9, 2018**
- Grant ID: **07000868**
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable in installments of 5,000 Shares on the 9th day of each month in the 60 months following the Date of Grant commencing with August 9, 2008, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date.
- The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***

- ***Please return the signed Notice of Stock Option Award to the Company at:***

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser
 Ann E. Weiser
 Chief Human Resources Officer

Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Michael Morhaime
 Michael Morhaime

Date: October 6, 2008

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Cause**” (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean the Holder’s (A) willful, reckless or gross misconduct or fraud, (B) grossly negligent performance of job responsibilities, (C) indictment on charges related to, conviction of, or pleading no contest to, a felony or crime involving dishonesty or moral turpitude, or (D) breach of any proprietary information, confidentiality, “work for hire,” non-solicitation or similar agreement between the Holder and the Company or any of its subsidiaries or affiliates.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” (A) shall have the meaning given to such term in, or otherwise be determined in accordance with, any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (B) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “disability” or otherwise provide a method for determining whether the Holder is disabled, shall have the meaning ascribed thereto under the Company’s long-term disability plan in effect from time to time, as interpreted under such plan (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“**Employment Violation**” means any material breach by the Holder of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Exercise Price**” means the Exercise Price set forth on the Grant Notice.

“**Expiration Date**” means the Expiration Date set forth on the Grant Notice.

“**Grant Notice**” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“**Holder**” means the recipient of the Award named on the Grant Notice.

“**Look-back Period**” means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“**Option**” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Recapture Amount**” means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Stock Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Stock Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Stock Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of

computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

“**Shares**” means the Common Shares purchasable upon exercise of the Stock Option.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) Exercisable Only by Holder. Except as otherwise permitted under the Plan or Section 10 hereof, the Stock Option may be exercised during the Holder’s lifetime only by the Holder or, in the event of the Holder’s legal incapacity to do so, by the Holder’s guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) Procedure for Exercise. The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator’s website from time to time or (ii) with the Company’s consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company’s consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company’s consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company’s consent, any combination of (i) or (ii) above.

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(e) No Fractional Shares. In no event may the Stock Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder’s employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder’s Disability, the Stock Option shall (i) cease to vest as of the date of the Holder’s death or the first date of the Holder’s Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder’s death or the first date of the Holder’s Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder’s death or termination of employment, as the case may be, and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of the Holder’s death or the first date of the Holder’s Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(c) Other. Unless the Committee determines otherwise, in the event that the Holder’s employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in

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accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 8 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

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8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

11. Employment Violation. The terms of this Section 11 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall

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have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

13. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

15. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

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16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an Option to purchase Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Michael Griffith**
- Total number of Shares purchasable upon exercise of the Option awarded: **50,000**
- Exercise Price: **US\$32.55 per Share**
- Date of Grant: **July 11, 2008**
- Expiration Date: **July 11, 2018**
- Grant ID: **07001010**
- Your Award of the Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms");
 - your Employment Agreement with the Company, dated as of June 15, 2005 and amended on December 1, 2007 (the "Amended Employment Agreement"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Stock Option Award has been made as a material inducement to your continuing employment with the Company pursuant to the Amended Employment Agreement.
- *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company Group through such date:

Schedule for Vesting

<u>Date of Vesting</u>	<u>No. of Shares Vesting at Vesting Date</u>	<u>Cumulative No. of Shares Vested at Vesting Date</u>
July 9, 2009	16,667	16,667
July 9, 2010	16,667	33,334
July 9, 2011	16,666	50,000

- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.

-
- ***Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
 - ***Please return the signed Notice of Stock Option Award to the Company at:***

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

Ann E. Weiser
Chief Human Resources Officer
Date: /s/ September 29, 2008

ACCEPTED AND AGREED:

/s/ Michael Griffith
Michael Griffith

EXHIBIT A
ACTIVISION BLIZZARD, INC.
2007 INCENTIVE PLAN
STOCK OPTION AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Cause**” has the meaning given to such term in the Amended Employment Agreement.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof. For the avoidance of doubt, the term “Common Shares” as used in these Award Terms shall include “Common Stock” as such term is used in the Employment Agreement.

“**Company Group**” has the meaning given to such term in the Amended Employment Agreement.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” has the meaning given to such term in the Amended Employment Agreement.

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Exercise Price**” means the Exercise Price set forth on the Grant Notice.

“**Expiration Date**” means the Expiration Date set forth on the Grant Notice.

“**Grant Notice**” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“**Holder**” means the recipient of the Award named on the Grant Notice.

“**Option**” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice, these Award Terms and the Amended Employment Agreement.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Shares**” means the Common Shares purchasable upon exercise of the Option.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan or the Grant Notice.

2. Expiration. The Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) Exercisable Only by Holder. Except as otherwise permitted under the Plan or Section 10 hereof, the Option may be exercised during the Holder’s lifetime only by the Holder or, in the event of the Holder’s legal incapacity to do so, by the Holder’s guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which the Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator’s website from time to time or (ii) with the Company’s consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price

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of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

(e) No Fractional Shares. In no event may the Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 12 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Option and the number of Shares that thereafter remain available for purchase upon exercise of the Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment the Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, the Option shall (i) cease to vest as of the date of the Holder's death or the first date of such Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or such first date of such Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or such termination of employment, as the case may be, and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of

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employment and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Option, the issuance or transfer of any Shares upon exercise of the Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 8 hereof) affecting the Company or any of its subsidiaries or

affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder

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that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Option may not be exercised, and the Option and Shares purchasable upon exercise of the Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Option or Shares, to issue or transfer the Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

11. Section 409A. Payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any

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provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of a penalty tax under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such penalty tax.

12. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

13. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

14. No Rights as Stockholder. No holder of the Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

15. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

16. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

17. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

18. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier,

addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to

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time; and (b) if to the Holder, at the address shown in the Amended Employment Agreement or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

19. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Amended Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Amended Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

20. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Amended Employment Agreement, the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Michael Griffith**
- Total number of Restricted Share Units awarded: **50,000**
- Date of Grant: **July 11, 2008**
- Grant ID: **07001012**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms");
 - your Employment Agreement with the Company, dated as of June 15, 2005 and amended on December 1, 2007 (the "Amended Employment Agreement"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made as a material inducement to your continuing employment with the Company pursuant to the Amended Employment Agreement.
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in full on June 30, 2010, provided you remain continuously employed by the Company Group through such date.
- ***Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Restricted Share Unit Award to the Company at:***

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser
 Ann E. Weiser
 Chief Human Resources Officer
 Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Michael Griffith
 Michael Griffith

Date: October 31, 2008

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof. For the avoidance of doubt, the term “Common Shares” as used in these Award Terms shall include “Common Stock” as such term is used in the Employment Agreement.

“**Company Group**” has the meaning given to such term in the Amended Employment Agreement.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Vested Shares**” means Common Shares to which the holder of Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment. Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason prior to the vesting in full of the Restricted Share Units, as of the date of such termination of employment, all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company’s consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company’s consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by

such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative

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consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of a penalty

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tax under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such penalty tax.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) If (i) the Committee determines in good faith that the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates does not qualify for the "short-term deferral exception" or otherwise would constitute a "deferral of compensation" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) delay of payment is required by Section 409A of the Code but is not already provided for by

this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

“THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.”

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

15. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

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16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in the Amended Employment Agreement or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Amended Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the Amended Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Amended Employment Agreement, the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Ronald Doornink**
- Total number of Shares purchasable upon exercise of the Stock Option awarded: **10,000**
- Exercise Price: **US\$32.55** per Share
- Date of Grant: **July 11, 2008**
- Expiration Date: **July 11, 2008**
- Grant ID: **07001011**
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
October 11, 2008	2,500	2,500
January 11, 2009	2,500	5,000
April 11, 2009	2,500	7,250
July 11, 2009	2,500	10,000

- The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Stock Option Award to the Company at:***

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

Ann E. Weiser
Chief Human Resources Officer

Date: September 29, 2008

ACCEPTED AND AGREED:

Date: October 6, 2008

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean the Holder’s (A) willful, reckless or gross misconduct or fraud, (B) grossly negligent performance of job responsibilities, (C) indictment on charges related to, conviction of, or pleading no contest to, a felony or crime involving dishonesty or moral turpitude, or (D) breach of any proprietary information, confidentiality, “work for hire,” non-solicitation or similar agreement between the Holder and the Company or any of its subsidiaries or affiliates.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Disability” (A) shall have the meaning given to such term in, or otherwise be determined in accordance with, any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (B) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “disability” or otherwise provide a method for determining whether the Holder is disabled, shall have the meaning ascribed thereto under the Company’s long-term disability plan in effect from time to time, as interpreted under such plan (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

“Employment Violation” means any material breach by the Holder of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Price” means the Exercise Price set forth on the Grant Notice.

“Expiration Date” means the Expiration Date set forth on the Grant Notice.

“Grant Notice” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“Holder” means the recipient of the Award named on the Grant Notice.

“Look-back Period” means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Option” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“Plan” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“Recapture Amount” means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Stock Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Stock Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Stock Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of

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computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

“Shares” means the Common Shares purchasable upon exercise of the Stock Option.

“Withholding Taxes” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) Exercisable Only by Holder. Except as otherwise permitted under the Plan or Section 10 hereof, the Stock Option may be exercised during the Holder's lifetime only by the Holder or, in the event of the Holder's legal incapacity to do so, by the Holder's guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) Procedure for Exercise. The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator's website from time to time or (ii) with the Company's consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

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(e) No Fractional Shares. In no event may the Stock Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, the Stock Option shall (i) cease to vest as of the date of the Holder's death or the first date of the Holder's Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or the first date of the Holder's Disability, as the case may be, remain exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or termination of employment, as the case may be, and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date

of the Holder's death or the first date of the Holder's Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in

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accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 8 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

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8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

11. Employment Violation. The terms of this Section 11 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall

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have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

13. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

15. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

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16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Ronald Doornink**
- Total number of Restricted Share Units awarded: **5,000**
- Date of Grant: **July 11, 2008**
- Grant ID: **07001013**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

<u>Date of Vesting</u>	<u>No. of Restricted Share Units Vesting at Vesting Date</u>	<u>Cumulative No. of Restricted Share Units Vested at Vesting Date</u>
October 11, 2008	1,250	1,250
January 11, 2009	1,250	2,500
April 11, 2009	1,250	3,750
July 11, 2009	1,250	5,000

· *Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.*

· *Please return the signed Notice of Restricted Share Unit Award to the Company at:*

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

Ann E. Weiser
Chief Human Resources Officer

Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Ronald Doornink

Ronald Doornink

Date: October 6, 2008

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Employment Violation**” means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Look-back Period**” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Recapture Amount**” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 12 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment. Unless the Committee determines otherwise, in the event that Grantee's employment is terminated for any reason, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company's consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate

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evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any

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securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or

pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Employment Violation. The terms of this Section 12 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any Restricted Share Units and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of

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Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

14. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

16. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those

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expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

Vivendi Holding I Corp.
800 Third Avenue
New York, NY 10022

Dated December 1, 2007

Mr. Bruce L. Hack
151 Central Park West
New York, NY 10023

Dear Bruce:

Reference is made to the Business Combination Agreement, dated as of even date herewith (the "Business Combination Agreement"), by and between Vivendi S.A. ("Parent"), VGAC LLC, Vivendi Games, Inc., Activision, Inc., and Sego Merger Corporation. Subject to the consummation of the transactions contemplated by the Business Combination Agreement and your continued employment by Vivendi Holding I Corp. ("Vivendi") from the date hereof until the Closing Date (as defined in the Business Combination Agreement) Activision Blizzard, Inc. (the "Company") shall employ you and you agree to accept employment upon the terms and conditions set forth in this agreement (the "Agreement"), effective upon the Closing Date. Upon the Closing Date, this Agreement shall supersede and replace in its entirety the prior Employment Agreement dated June 29, 2006 (the "Prior Agreement") between you and Vivendi Holding I Corp. (as successor to Vivendi Universal US Holding Co.); provided, however, that in the event the Closing Date does not occur prior to December 31, 2008, or the Business Combination Agreement is terminated by any party for any reason pursuant to Section 8.1 thereof, then this Agreement shall be deemed void *ab initio*, and the Prior Agreement shall remain in full force and effect.

1. Term. The term of this Agreement will commence on the Closing Date and continue until June 30, 2010 (the "Term"), unless earlier terminated pursuant to the provisions of Paragraph 4.

You agree and acknowledge that the Company has no obligation to extend the Term or to continue your employment after the expiration of the Term, and you expressly acknowledge that no promises or understandings to the contrary have been made or reached. You also agree and acknowledge that, should you and the Company choose to continue your employment for any period of time following the expiration of the Term (including any extensions thereof) without a written employment agreement, your employment with the Company will be "at will;" in other words, during any time following the expiration of the Term if a written employment agreement is not in effect, the Company may terminate your employment at any time, with or without reason and with or without notice, and you may resign at any time, with or without reason and with or without notice; provided, however, that any such "at will" employment will not

diminish or prejudice any rights or benefits to which you are otherwise entitled under this Agreement, or otherwise, after the end of the Term.

2. Employment by the Company and Duties. You agree to be employed and perform your exclusive services for the Company and its affiliates upon the terms and conditions of this Agreement. You will render your services hereunder as Vice Chairman of the Board and Chief Corporate Officer. You will report directly to the Company's Chief Executive Officer and have direct accountability to the Company's Chief Executive Officer with respect to the Company's staff activities, including with respect to finance, legal and human resources, and you will have the authority and responsibilities, in each case, commensurate with your reporting position and status and consistent with your position hereunder. You will also be responsible for leading the post-merger integration of the Company following the Closing Date under the direction of the Company's Chief Executive Officer. You will not be required, without your consent, to perform your duties under this Agreement in a location other than in the Los Angeles, California metropolitan area, except for reasonably required travel on the Company's business.

3. Compensation and Related Matters.

(a) Base Salary. For all services rendered under this Agreement, during the Term, the Company will continue to pay your base salary at an annual rate of One Million Five Hundred Thousand Dollars (\$1,500,000).

(b) Annual Bonus Compensation. You will participate in the Company's annual incentive plan or any plan adopted in replacement thereof ("AIP") as determined by the Company's Compensation Committee and in accordance with the plan's terms and conditions. During the term, your target bonus under the AIP with respect to each fiscal year will be One Million Dollars (\$1,000,000) ("Target Bonus") with a guaranteed minimum of Five Hundred Thousand Dollars (\$500,000) per fiscal year (the "Guaranteed Minimum Bonus"). Your maximum bonus with respect to each fiscal year will be Two Hundred Percent (200%) of your Target Bonus, and your bonus will be based upon a measurement of performance against objectives in accordance with the AIP, or any successor thereto, as they may be amended from time to time. The bonus amounts payable to you under the AIP, which amounts shall not be less than the Guaranteed Minimum Bonus, will be paid to you following each relevant fiscal year at the same time that AIP bonuses are generally paid to other participants in the AIP in accordance with the terms of such plan (which shall be established as a fixed date or otherwise in a manner which complies with or is exempt from the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")). In addition, any replacement plan referred to in this Paragraph 3(b) shall provide you a reasonable opportunity to achieve bonuses reasonably comparable to those that would have been payable under the plan it replaced; provided, however, that under such replacement plan you will receive at least the Guaranteed Minimum Bonuses set forth above.

(c) 2007 and 2008 Vivendi Annual Bonuses. To the extent not otherwise paid to you prior to the Closing Date, your 2007 annual bonus will be paid to you under the Vivendi Games, Inc. ("Vivendi Games") annual incentive plan as in effect immediately prior to the Closing Date based on the achievement of the existing performance goals and criteria previously established for you under that plan. Additionally, to the extent that the Closing Date occurs after commencement of Vivendi's 2008 fiscal year, a pro-rata portion of your 2008 annual bonus

(determined based upon (i) actual performance through the Closing Date and (ii) the percentage of the 2008 fiscal year that shall have elapsed through and including the Closing Date) shall be paid to you in cash on the Closing Date.

(d) Transaction Bonus. On the Closing Date, you shall be paid a lump sum cash bonus in an amount equal to \$1,000,000.

(e) Post-Closing Merger Integration Bonus. You shall be eligible for a post-closing merger integration bonus targeted at \$1,000,000, subject to the terms of such bonus and to your and the Company's achievement of specified merger integration goals, to be established by the Chief Executive Officer of the Company in consultation with you and approved by the Board of Directors of the Company (the "Board").

(f) Equity Awards. During each year of the Term that regular annual equity grants are made to senior executive officers of the Company, the Company will recommend to the Compensation Committee of the Board that you be granted, and will use its reasonable best efforts to cause you to be granted, a grant of an option to purchase 200,000 ordinary shares of the Company's common stock, or an equity award of comparable value as determined by the Company in its reasonable discretion ("Annual Equity Award"), to be granted at the same time such regular annual equity grants are made to such senior executive officers of the Company; provided, however, that during the Term the Company will recommend to the Compensation Committee of the Board that you shall be granted at least three such Annual Equity Awards. The Annual Equity Awards will be subject to the terms and conditions of such grants made to such other senior executives of the Company under the Company's applicable equity plan, and any specific terms and conditions set forth by the Company or its affiliates for senior executives of the Company with comparable positions and responsibilities; provided, however, that following your termination of employment, your then vested options (including, without limitation, any options that become vested upon your termination of employment as described below) shall remain exercisable until the end of the normal option term, without regard to any shorter post-termination of employment exercise period otherwise applicable under the Company's equity plan or award agreements thereunder. For the avoidance of doubt, Annual Equity Awards may include, without limitation, (i) options to purchase ordinary shares of the Company's common stock with or without performance conditions set forth by the Company, and/or (ii) stock appreciation rights with or without performance conditions set forth by the Company, and/or (iii) restricted stocks with or without performance conditions set forth by the Company, and/or (iv) restricted stock units with or without performance conditions set forth by the Company. The number of shares to be granted under an Annual Equity Award shall be appropriately adjusted in the event of a corporate merger, recapitalization, stock dividend, reorganization or similar event, of the Company.

Notwithstanding the foregoing, in the event that the Company terminates your employment without Cause, you resign for Good Reason or your employment terminates upon the expiration of the Term, all of the Annual Equity Awards granted to you hereunder and any other equity-based award previously granted to you by Parent (pursuant to the Prior Agreement or otherwise) shall become immediately vested and exercisable, but, except as provided herein, the Annual Equity Awards and other equity-based awards will in all respects otherwise remain subject to the terms and conditions of the applicable equity plan. In addition, with respect to all of your

Annual Equity Awards, the definition of "Cause" set forth in this Agreement will supersede and replace any definition of such term in the applicable equity plan.

(g) Benefits. You will be entitled to participate in the benefit plans generally available to senior executive employees of the Company in the United States (which will, at all times during your employment, include group health plan, life insurance and disability coverage); provided, however, that you shall only be entitled to participate in the 401(k) plan sponsored by the Company, and you shall not be entitled to participate in any other defined contribution, defined benefit or any other retirement plan of the Company or its affiliates. In addition, you will be eligible to participate in the Flexible Perquisites program of the Company as long as the Company provides such a program and in accordance with the program's terms and conditions then in effect. Your participation in all such benefit plans and programs will be on terms and conditions that are no less favorable than those applicable to other senior executives of the Company with comparable positions and responsibilities. You shall be entitled to vacation with pay during the Term in accordance with the Company's vacation policy in effect from time to time; provided, however, that you shall be entitled to not less than four (4) weeks of paid vacation in each year.

(h) Office and Staff. The Company will furnish you with office facilities and staff support at the Company's executive offices in both Los Angeles and New York, New York consistent with your responsibilities and position with the Company and in accordance with the Company's practice for senior executives with comparable positions and responsibilities, on a basis that is no less favorable to you than Vivendi's current practices as of the date hereof.

(i) Expense Reimbursement. During your employment, the Company will reimburse you for your reasonable and necessary business expenses in accordance with its then prevailing policy for senior executives of the Company with comparable positions and responsibilities (which will include appropriate itemization and substantiation of expenses incurred). Without limiting the generality of the foregoing, the Company will reimburse you for first class travel and first class hotel accommodations in connection with your employment hereunder, consistent with the Company's policies.

(j) Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as will be required to be withheld pursuant to any applicable laws or regulation.

4. Compensation Upon Certain Termination Events.

(a) Compensation Payable. Should your employment with the Company terminate, you will be entitled to the amounts and benefits shown on the following table, subject to Paragraphs 4(b) through 4(j) and your execution and non-revocation of the release of claims described in Paragraph 6(g). In the event of such termination, and except for payments and benefits noted in this Paragraph 4, the Company will have no further obligations to you under this Agreement except as specifically set forth in this Agreement, as set forth in any benefit plan, program or arrangement in which you participate or as otherwise required by Company policy or by law.

Termination For Cause/Voluntary Termination without Good Reason	Involuntary Termination/ Good Reason/ Expiration of Term	Disability	Death
Payment of any accrued but unpaid Base Salary, unpaid annual bonus under the AIP in respect of the preceding fiscal year in an amount equal to the Guaranteed Minimum Bonus, and pro-rata* Guaranteed Minimum Bonus.	Payment of any accrued but unpaid Base Salary, unpaid annual bonus at the Company's bonus payout percentage under the AIP in respect of the preceding fiscal year, pro-rata Target Bonus, plus a lump sum amount equal to your Base Salary and Target Bonus(es) (discounted as provided in Paragraph 4(h) below) multiplied by your Severance Multiple. For purposes hereof, your "Severance Multiple" shall equal (i) two plus the fractional portion of a year for which you were employed by the Company, in the event such	Payment of any accrued but unpaid Base Salary, unpaid annual bonus under the AIP in respect of the preceding fiscal year, and pro-rata Target Bonus. In addition your Base Salary will continue until the earliest of (i) the 180th day following the start of your Disability absence, or (ii) your death, and will be	Payment of any accrued but unpaid Base Salary, unpaid annual bonus under the AIP in respect of the preceding fiscal year, and pro-rata Target Bonus.

termination occurs prior to June 30, 2008, (ii) two, in the event such termination occurs on or after June 30, 2008 and prior to the expiration of the Term and (iii) one, in the event such termination occurs upon the expiration of the Term. In addition, to the extent not previously paid, you shall be paid in a single lump sum the amount of your Transaction Bonus and targeted Post-Closing Merger Integration Bonus, each as described in Paragraphs 3(d) and 3(e) (provided, however, that if the applicable performance period for the Post-Closing Merger Integration Bonus ends upon or prior to your termination and the bonus, if any, for that performance period has not yet

reduced by other Company-provided disability benefits paid to you.

been paid, the amount paid in respect to that performance period shall be determined based on the Company's latest estimate of its and your ultimate actual performance, versus its and your ultimate performance goals established pursuant to Paragraph 3(e), under the Post-Closing Merger Integration Bonus program(1)), and you shall be eligible to receive medical, dental, disability and life insurance coverage, on the same basis as is made available to other actively employed senior executives of the Company, for the number of whole and partial years corresponding to the Severance Multiple.

*References to pro-rata Guaranteed Minimum and Target Bonuses shall mean a pro-rata portion of such Guaranteed Minimum Bonus or Target Bonus, as applicable, for the fiscal year in which your termination of employment occurs, based upon the percentage of such fiscal year that shall have elapsed through the date of your termination of employment.

(b) Termination for Cause/ Resignation without Good Reason. The Company may terminate your employment for Cause at any time without advance notice, and you may resign your employment without Good Reason (as defined in Paragraph 4(f)). "Cause" shall mean:

- (i) your gross misconduct or a willful breach of a substantial and material obligation under this Agreement;
- (ii) your intentional and material failure to comply with the Company's material written policies and procedures as and to the extent such policies and procedures are both (i) communicated to you in writing within a reasonable period of time following the Closing Date and (ii) substantially similar in scope to the Policies and Procedures for Worldwide Business Conduct of Vivendi and Affiliates and the Vivendi Discrimination and Sexual Harassment Policy, copies of which are attached as Schedule 1 to this Agreement; or
- (iii) your conviction of a felony or crime of moral turpitude;

(1) Exhibit B hereto contains a sample methodology for calculating this payment.

which, in the case of any of the immediately preceding clauses (i) or (ii), is not remedied within thirty (30) days after receipt of written notice from Company specifically delineating each such claimed breach and setting forth Company's intention to terminate your employment if such breach is not duly remedied, provided, however, that if the specified breach cannot reasonably be remedied within said thirty-day period and you commence reasonable steps within said thirty-day period to remedy said breach and diligently continue such steps thereafter until a remedy is effected, such breach shall not constitute "Cause". In the event that the Company terminates your employment for Cause or if you resign from your employment without Good Reason, the payments and benefits required by Paragraph 4(a) will be made and provided.

(c) Involuntary Termination. The Company may terminate your employment other than for Cause or other than on account of Disability, as defined in Paragraph 4(d), in which case you will receive the lump sum payments and benefits specified in Paragraph 4(a). Any such termination of your employment shall be deemed to be an "Involuntary Termination" for all purposes of this Agreement. You agree that you will have no rights or remedies in the event of your termination without Cause except as set forth in this Agreement.

(d) Termination for Disability. The Company may terminate your employment on account of a Disability (but only during the continuance of such Disability) and the payments and benefits required by Paragraph 4(a) will be made and provided. You will be deemed to have a "Disability" if you are incapacitated by a physical or mental condition, illness or injury which has prevented you from being able to perform the essential duties of your position under this Agreement in a satisfactory fashion for all of a consecutive 180-day period. Any dispute regarding whether you have incurred a "Disability" shall be resolved by an independent medical doctor mutually agreeable to the Company and you.

(e) Death. If you die while employed under this Agreement, the payments and benefits required by Paragraph 4(a) will be made and provided.

(f) "Good Reason" Termination. You may terminate your employment voluntarily for "Good Reason" and the payments and benefits required by Paragraph 4(a) will be made and provided. "Good Reason" means, without your written consent, a willful breach of a substantial and material obligation

of the Company under this Agreement (as set forth below) which is not remedied within 30 days after receipt of written notice from you specifically delineating each such act or claimed breach and setting forth your intentions to terminate your employment if such breach is not duly remedied, provided that if the specified breach cannot reasonably be remedied within said 30-day period and the Company commences reasonable steps within said 30-day period to remedy said breach and diligently continues such steps thereafter until a remedy is effected, such breach will not constitute "Good Reason". A willful breach of a substantial and material obligation of the Company under this Agreement shall include any of the following events: (i) you are removed by the Company from the position of Vice Chairman of the Board or Chief Corporate Officer (other than in connection with a promotion to a more senior level, or your written acceptance of another position with the Company in lieu thereof) or the Company does not nominate you for election as a member of the Board; (ii) you are required to report directly to a person not occupying a position described in Paragraph 2; (iii) your Base Salary, Guaranteed Minimum Bonus or Target Bonus are reduced or the Company deliberately fails to pay or provide, when due, any compensation or benefits contemplated hereunder; (iv) with respect to

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any year of the Term, the Company shall fail to grant to you the Annual Equity Awards described in Paragraph 3(c) if, with respect to any such year, the Company makes regular annual equity grants to similarly situated senior executives of the Company; (v) you are required to perform your primary duties at a location other than the Los Angeles, California metropolitan area; (vi) your duties, responsibilities or authority as provided under this Agreement (or which are hereafter assigned to you) are materially diminished without your consent (including, without limitation, your loss of direct responsibility (under the direction of the Company's Chief Executive Officer) for the Company's finance, legal and human resources executives, or for the Company's merger integration activities; provided that a decision of the Company's Chief Executive Officer as to any matter within your area of direct responsibility shall not be deemed a diminishment of your responsibilities in any respect); or (vii) the Company fails to require the express assumption of this Agreement by any successor to all or substantially all of the assets of the Company. You agree that you will have no rights or remedies in the event of your termination for Good Reason except as set forth in this Agreement.

(g) Expiration of the Term. Unless otherwise terminated earlier pursuant to Paragraph 4, your employment will terminate automatically upon the expiration of the Term of this Agreement as set forth in Paragraph 1, and the payments and benefits required under Paragraph 4(a) will be made and provided.

(h) No Mitigation. Following your termination of employment with the Company for any reason (including, without limitation, if the Company terminates your services for any reason, or if you terminate your services for Good Reason), you will have no duty to attempt to mitigate your damages by seeking alternative employment, the Company will not be entitled to reduce the amount of any compensation or benefits (including, without limitation, stock options or other equity based awards) payable to you under this Agreement by any amounts or benefits received by you in connection with such alternative employment and you will not be required to pay the Company any amounts that you may receive from any such alternative employment or otherwise. The obligations of the Company to you under this Agreement shall not be subject to any offset or defense.

(i) Discount. Any lump-sum payments required to be made to you pursuant to Paragraph 4 hereof will be discounted to present value from the time at which such amounts would have been paid absent any accelerated payment at an annual discount rate for the relevant periods equal to the "mid-term applicable Federal rate" (within the meaning of Section 1274(d) of the Code), compounded annually, in effect on the date of such termination; provided, that any amounts that would otherwise not have been paid by the last day of the Term shall be deemed, for these purposes, to have been payable on the last day of the Term.

(j) Additional Payment Provisions. Except as otherwise expressly provided under Paragraph 4(a), and subject to your execution and non-revocation of the release of claims described in Paragraph 6(g), the Company shall pay all monies owing to you under this Agreement (which shall include any unreimbursed business expenses and any accrued and unpaid vacation pay to the degree provided by Company policy) as soon as practicable after (but, in any event, within fifteen business days after) any termination of your employment; provided, however, that the payment of any monies accrued under any benefit plan shall be subject to the terms of the applicable plan and any elections you have made, and amounts in respect of unreimbursed

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expenses shall be paid within fifteen business days after your submission of supporting documentation for such expenses. Anything contained herein to the contrary notwithstanding, the obligations of Company to make payments to you pursuant to this Agreement shall survive any termination of the Term of this Agreement. Except as otherwise expressly provided in Paragraph 3(g), nothing in this Agreement shall adversely affect your rights, if any, to employee benefits following the termination of your employment under the terms of the employee benefit plans of the Company in which you participate, which rights, if any, shall be governed by the terms of such employee benefit plans.

5. Certain Additional Payments by the Company.

(a) Gross-Up Payment. Anything in this Agreement to the contrary or any termination of this Agreement notwithstanding, in the event it is determined that any payment or distribution or benefit received or to be received by you pursuant to the terms of this Agreement or any other payment or distribution or benefit made or provided by the Company or any of its affiliates, to or for your benefit (whether pursuant to this Agreement or otherwise and determined without regard to any additional payments required under this Paragraph 5) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, is hereinafter collectively referred to as the "Excise Tax"), then you will be entitled to receive an additional payment (a "Gross-Up Payment") in amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income and employment taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you will retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Gross-Up Payment Calculation. Subject to the provision of Paragraph 5(c), all determinations required to be made under this Paragraph 5, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, will be made by such certified public accounting firm as may be jointly designated by you and the Company (the "Accounting Firm"), which will provide detailed supporting calculations both to the Company and you within 15 business days of the receipt of notice from you that there has been a Payment, or such earlier date as is requested by the Company. All fees and expenses of the Accounting Firm will be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Paragraph 5, will be paid by the Company to you within five days of the receipt of the Accounting Firm's determination (or in the case of any claim by the IRS which you are either directed to pay by the Company (affirmatively or by lapse of the 30 day notice period described in Paragraph 5(c)) or required to pay after the conclusion of the contest proceedings described in Paragraph 5(c), within five days of such Company direction or conclusion of such proceedings). Any determination by the Accounting Firm will be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Paragraph 5(c) and you are thereafter required to make a payment of any Excise Tax, the Accounting Firm will determine the amount of the

Underpayment that has occurred and any such Underpayment will be promptly (and in any event within five days of such determination) paid by the Company to or for the benefit of you.

(c) Claim by the IRS. You will notify the Company in writing of any claim by the U.S. Internal Revenue Service (the “IRS”) that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification will be given as soon as practicable but no later than ten business days after you are informed in writing of such claim and will apprise the Company of the nature of such claim and the date on which such claim is due to be paid. You will not pay such claim prior to the expiration of the 30-day period ending on the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such 30-day period that it desires to contest such claim, then you will:

- (i) give the Company any information reasonably requested by the Company relating to such claim;
- (ii) take such action in connection with contesting such claim as the Company will reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; and
- (iii) cooperate with the Company in good faith in order effectively to contest such claim;

provided, however, that the Company will bear and pay directly all costs and expenses; (including additional interest and penalties) incurred in connection with such contest and will indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income and employment tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Paragraph 5(c), the Company will control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct you to pay the tax claimed and, subject to Paragraph 5(e), sue for a refund, or contest the claim in any permissible manner, and you will agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine, provided, however, that if the Company directs you to pay such claim and sue for a refund, the Company will advance the amount of such payment to you, on an interest-free basis and will indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income and employment tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company’s control of the contest will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and you will be entitled to settle or contest, as the case may be, any other issue raised by the IRS or any other taxing authority.

(d) Entitlement to Payment. Subject to Paragraph 5(e), if, after the receipt by you of an amount advanced by the Company pursuant to Paragraph 5(c), you become entitled to receive any refund with respect to such claim, you will (subject to the Company’s complying with the requirements of Paragraph 5(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company pursuant to Paragraph 5(c), a determination is made that you will not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid. Any Gross-Up Payment or reimbursement by the Company of expenses pursuant to this Paragraph 5 shall be paid no later than December 31 of the calendar year following the calendar year during which you remit or otherwise incur the applicable Excise Tax or expenses.

(e) Sarbanes-Oxley Limitation. Notwithstanding the foregoing: (i) during any period when the Company and you are subject to the limitations of Sarbanes-Oxley, in the event of a claim by the IRS described in Paragraph 5(c), the Company may (A) direct you to pay (affirmatively or by lapse of the 30 day notice described in Paragraph 5(c)) such claim in which case the Company shall make the Gross-Up Payment with respect to such claim; or (B) direct you to contest such claim (but not require you to pay such claim and sue for a refund); and (ii) in the event that the Company and you become subject to the limitations of Sarbanes-Oxley after the commencement of any contest to such a claim and after the advancement of any amounts to you pursuant to Paragraph 5(c) pending the outcome for any proceeding for a refund, the amount of such advancement shall be immediately forgiven and you shall cease to be obligated to continue any such proceeding for said refund and the Company shall make the Gross-Up Payment with respect to such claim and such forgiveness.

6. Covenants.

(a) Acknowledgment. You acknowledge that you currently possess or will acquire secret, confidential, or proprietary information or trade secrets concerning the operations, future plans, or business methods of the Company or its affiliates. You agree that the Company would be severely damaged if you misused or disclosed this information. To prevent this harm, you are making the promises set forth in this Paragraph 6. You acknowledge that the provisions of this Paragraph are reasonable and necessary to protect the legitimate interests of the Company and that any violation of such provisions would result in irreparable injury to the Company. In the event of a violation of the provisions of this Paragraph 6, you further agree that the Company will, in addition to all other remedies available to it, be entitled to seek equitable relief by way of injunction and any other legal or equitable remedies.

(b) Promise Not to Disclose. You will hold in a fiduciary capacity, for the benefit of the Company, all confidential or proprietary information, knowledge and data of the Company which you may acquire, learn, obtain or develop during your employment by the Company. Further, you will not, during the Term or at any time thereafter, directly or indirectly use, communicate or divulge for your own benefit or for the benefit of another any such information, knowledge or data other than as required by, or on behalf of, the Company. You

make the same commitments with respect to the secret, confidential or proprietary information, knowledge and data of affiliates, customers, contractors and others with whom the Company has a business relationship or to whom the Company or its affiliates owe a duty of confidentiality, other than as required by the Company. The confidential and proprietary information covered by this protection includes, but is not limited to, confidential and proprietary matters of a business or strategic nature such as information about costs and profits, projections, personnel information, reengineering, records, customer lists, contact persons, customer data,

software, sales data, possible new business ventures and/or expansion plans or matters of a creative nature, including without limitation, matters regarding ideas of a literary, creative, musical or dramatic nature, or regarding any form of product produced, distributed or acquired by the Company (“Company Information”). Anything contained herein to the contrary notwithstanding, for purposes of this Agreement, “Company Information” and “confidential or proprietary information, knowledge and data” shall not include information which is: (i) generally known in the industry; or (ii) in the public domain other than due to your actions. Company Information will be considered and kept as the private, proprietary and confidential information of the Company except in furtherance of the Company’s business or within the Company as required to perform services, and may not otherwise be divulged without the express written authorization of the Company except as required to be disclosed by law. You and the Company further agree that neither of you will publicly disclose the terms of this Agreement, other than as required by law. Notwithstanding the foregoing, it is agreed that nothing herein shall prevent you from disclosing any information, the disclosure of which is reasonably necessary in order for you to defend yourself, or assert your rights, in any legal or administrative proceeding to which you and the Company or its affiliates are parties.

(c) Promise Not to Engage in Certain Activities. You will not at any time during your employment by the Company or, in the event of your termination of employment (i) voluntarily without Good Reason or (ii) involuntarily for Cause, prior to the earlier to occur of (x) the first anniversary of such termination of employment and (y) the third anniversary of the Closing Date, be or become (A) interested or engaged in any manner, directly or indirectly, either alone or with any person, firm or corporation now existing or hereafter created, in any business which is engaged in the business of video game publishing (a “Competitive Business”) or (B) directly or indirectly a stockholder or officer, director, agent, consultant or employee of, or in any manner associated with, or aid or abet, or give information or financial assistance to, any such Competitive Business. The provisions of this Paragraph 6(c) will not be deemed to prohibit your purchase or ownership, as a passive investment, of not more than five percent (5%) of the outstanding capital stock of any corporation whose stock is publicly traded. Notwithstanding the foregoing, it is agreed it shall not be a breach of Paragraph 6(c) for you to provide services to an entity or person, that (I) is not itself a Competitive Business but has an affiliate that is a Competitive Business (or that has an affiliate that has a division, business unit or segment that is a Competitive Business) or (II) has one or more distinct lines of business which are not Competitive Businesses, and has a division, business unit or segment that is a Competitive Business, in if in either case (I) or (II), as applicable, provided that you do not and will not, directly or indirectly, provide services or advice with respect to the operations, management, strategic planning or marketing activities of the affiliate, division, business unit or segment that is the Competitive Business.

(d) Promise to Return Property. All records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the

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Company’s business in whatever form (including electronic) which you (or any person to whom you have directly or indirectly transferred such possession) possess will be returned to the Company upon the termination of your employment, whether such termination is at your or the Company’s request (except that you may, upon request to the Company, which shall not be unreasonably withheld, retain copies of any documents to the extent reasonably necessary to protect your interests).

(e) Promise Not to Solicit. You will not during the period of your employment by the Company or the period ending one (1) year after the date of your termination of employment induce or attempt to induce any employees, consultants, contractors or representatives of the Company (“Company Representatives”) (or those of any of its affiliates) to stop working for, contracting with or representing the Company or any of its affiliates or to induce or attempt to induce any Company Representative under an exclusive contractual arrangement with Company to work for, contract with or represent any of the Company’s competitors.

(f) Company Ownership. The results and proceeds of your services hereunder, including, without limitation, any works or authorship resulting from your services during your employment with the Company and/or any of the Company’s affiliates and any works in progress, will be works-made-for-hire and the Company will be deemed the sole owner throughout the universe of any and all rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion without any further payment to you whatsoever. If, for any reason, any of such results and proceeds will not legally be a work-for-hire and/or there are any rights which do not accrue to the Company under the preceding sentence, then you hereby irrevocably assign and agree to assign any and all of your right, title and interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, to the Company, and the Company will have the right to use the same in perpetuity throughout the universe in any manner the Company determines without any further payment to you whatsoever. You will, from time to time, as may be requested by the Company and at the Company’s sole cost and expense, do any and all things which the Company may deem useful or desirable to establish or document the Company’s exclusive ownership of any and all rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright and/or patent applications or assignments. To the extent you have any rights in the results and proceeds of your services that cannot be assigned in the manner described above, you unconditionally and irrevocably waive the enforcement of such rights. This Paragraph is subject to and will not be deemed to limit, restrict, or constitute any waiver by the Company of any rights of ownership to which the Company may be entitled by operation of law by virtue of the Company being your employer.

(g) Release of Claims. You and the Company agree that upon your termination of employment with the Company, you and the Company will execute mutual releases of claims in favor of the other party in the form attached hereto as Exhibit A; provided, however, that such release of claims shall not affect the ongoing obligations of the Company and its affiliate with respect to any of your employee benefit arrangements, such as pension, 401(k) and outstanding equity awards or your rights to enforce the terms of this Agreement. You acknowledge that the

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payments and benefits described in Paragraph 4(a) are expressly contingent upon your execution and non-revocation of such release of claims.

7. Services Unique. You recognize that your services hereunder are of a special, unique, unusual, extraordinary and intellectual character, giving them a peculiar value, the loss of which the Company cannot be reasonably or adequately compensated for in damages. In the event of a breach of this Agreement by you (particularly, but without limitation, with respect to the provisions hereof relating to the exclusivity of your services), the Company will, in addition to all other remedies available to it, be entitled to seek equitable relief by way of injunction and any other legal or equitable remedies. This provision will not be construed as a waiver of the rights which the Company may have for damages under this Agreement or otherwise, and all of the Company’s rights and remedies will be unrestricted.

8. Notices. All notices and other communications hereunder will be in writing and will be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:

At the address indicated on the first page hereof

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attention: Brian D. Robbins, Esq.

If to the Company:

To the address(es) set forth on Exhibit C

or to such other address as either party will have furnished to the other in writing. All notices and communications shall be deemed to have been duly given and received: (a) on the date of receipt, if delivered by hand; (b) three (3) business days after being sent by first class certified mail, return receipt requested, postage paid; or (c) one (1) business day after sending by next-day delivery service with confirmation of receipt. As used herein, the term "business day" means any day that is not Saturday, Sunday or legal holiday in the State of New York.

9. Assignment/Affiliated Corporations. This Agreement shall be binding on, and shall inure to the benefit of, the parties to it, and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, in the event of your death your estate and heirs in the case of any payments due to you hereunder). The Company may only assign this Agreement and its rights and obligations hereunder, (a) in the case of an assignment solely by the Company, to any entity controlled by, controlling or under common control with the Company, so long as such successor assumes in writing the Company's obligations hereunder; or (b) to any entity which, by way of merger, consolidation or sale of all or substantially all of the assets of the

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Company becomes a successor to the Company, so long as such successor assumes in writing the Company's obligations hereunder. You acknowledge and agree that all of your covenants and obligations to the Company, as well as the rights of the Company hereunder, will run in favor of and will be enforceable by the Company, its affiliates and their successors. Upon the Closing (as defined in the Business Combination Agreement), Vivendi (i) shall assign its obligations under this Agreement, if any, to the Company and (ii) shall cause the Company to assume this Agreement.

10. Indemnification. The Company agrees that you shall be entitled to indemnification and payment or reimbursement of expenses (including attorneys' fees and expenses) to the extent provided in the Company's Restated Certificate of Incorporation for all damages, losses and expenses incurred by you in connection with any claim, action, suit or proceeding which arises from your services and/or activities as an officer and/or employee of Company or any affiliate thereof. This Paragraph 10 shall survive any termination of the Term of this Agreement and shall apply in respect of the Prior Agreement.

11. Arbitration of Disputes.

(a) Arbitration and Mediation. You agree that all disputes or controversies arising out of your employment, including but not limited to, any disputes concerning the interpretation or application of this Agreement and any claims arising under any law prohibiting discrimination, retaliation or harassment, will be decided by a single arbitrator in final and binding arbitration administered by the American Arbitration Association ("AAA") and conducted according to the AAA's National Rules for the Resolution of Employment Disputes in effect at the time the demand for arbitration is made. This agreement to arbitrate includes all claims that the Company may have against you at any time now or in the future, and all claims that you may have against the Company or any of its successors at any time now or in the future. The only exceptions are (1) claims covered by workers' compensation or unemployment insurance, (2) claims for benefits that arise under benefit plans that contain their own administrative or other dispute resolution procedures, and (3) any other claims that by law are not subject to mandatory arbitration. You may be permitted to file a complaint with certain governmental agencies in accordance with applicable law. At the option of either you or the Company, the arbitration proceedings will be stayed prior to the selection of an arbitrator, and both you and the Company will submit the claims asserted, together with any counterclaims and defenses, to non-binding mediation. The mediator will be selected through the AAA. Completing the mediation program means participating in good faith in at least one telephone mediation session. The Company will pay all of the administrative costs and fees of the mediation and will bear its own legal fees regardless of outcome. Additionally, the Company shall pay directly or reimburse you for your legal fees in the case of any action to the extent that you prevail in material part in connection with such action.

(b) Injunctive Relief. Notwithstanding Paragraph 11(a), due to the irreparable harm that would result from an actual or threatened violation of Paragraph 6 that involves disclosure or use of confidential information, trade secrets, or competition with the Company and Paragraphs 2 and 6 that involve exclusivity of your services with the Company, you agree that the Company may seek an injunctive prohibiting you from committing such a violation.

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(c) The Arbitration. Any arbitration will take place in New York, New York before a single experienced employment arbitrator licensed to practice law in New York. The arbitrator may not modify or change this Agreement in any way.

(d) Fees and Expenses. The Company will promptly pay on your behalf, or reimburse you for all reasonable attorneys' fees and expenses incurred by you in connection with the negotiation and documentation of the terms and conditions of this Agreement.

12. Miscellaneous. No provisions of this Agreement may be amended, modified, waived, or discharged except by written document signed by you and a duly authorized officer of the Company. A waiver of any conditions or provisions of this Agreement in a given instance will not be deemed a waiver of such conditions or provisions of this Agreement at any other time. The validity, interpretation, construction, and performance of this Agreement will be governed by the laws of the State of New York. This Agreement will be binding upon, and will inure to the benefit of, you and your estate and the Company and any successor thereto, but neither this Agreement nor any rights arising under it may be assigned or pledged by you.

13. Validity. The invalidity or unenforceability of any provisions of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement, which will remain in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute the same instrument.

15. Entire Agreement. This Agreement sets forth the entire understanding between us; all oral or written agreements or representations, express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. All prior employment agreements, understandings and obligations (whether written, oral, express or implied) between us, if any, are terminated as of the commencement date of the Term and are superseded by this Agreement. Without limiting the generality of the preceding sentence, and for the avoidance of doubt, following the Closing Date and your commencement of employment under this Agreement you expressly acknowledge and agree that you shall have no right to terminate your employment for "Good Reason" under Paragraph 4(f) of the Prior Agreement, and that you shall have no right to any benefits or amounts of any kind under such Paragraph of the Prior Agreement. You further expressly acknowledge and agree that your rights and obligations (if any) upon your termination for any reason during the Term shall be determined exclusively under this Agreement.

16. Compliance with Section 409A of the Code.

(a) Specified Employee. Notwithstanding any provision of this Agreement to the contrary, if you are a "specified employee" as defined in Section 409A, you shall not be entitled to any payments or benefits that constitute deferred compensation subject to Section 409A, and whose payment or provision is triggered by your termination of employment (whether such payments or benefits are provided to you under this Agreement or under any other plan, program or arrangement of the Company), until the earlier of (i) the date which is the first business day following the six-month anniversary of your termination of employment for any reason other than

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death or (ii) your date of death (the "First Payment Date"). The first installment of the payments or benefits you are entitled to hereunder that is made on the First Payment Date shall include a "make-up" payment equal to the sum of the payments and benefits that, if not for the six-month delay described in the preceding sentence, would be due and payable hereunder after your termination date and before the First Payment Date. The Company shall make the determination as to whether you are a "specified employee" in good faith in accordance with its uniform methodology and procedures adopted in accordance with Section 409A and, at the time of your termination of employment will notify you whether or not you are a "specified employee".

(b) Other Provisions. This Agreement is intended to satisfy the requirements of Section 409A of the Code with respect to amounts, if any, subject thereto, and shall be interpreted and construed and shall be performed by the parties consistent with such intent. If either party notifies the other in writing that, based on the advice of legal counsel, one or more of the provisions of this Agreement contravenes any regulations or Treasury guidance promulgated under Section 409A or causes any amounts to be subject to interest, additional tax or penalties under Section 409A, the parties shall promptly and reasonably consult with each other (and with their legal counsel), and shall use their reasonable best efforts, to reform the provisions hereof to (a) maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A of the Code or increasing the costs to the Company of providing the applicable benefit or payment and (b) to the extent possible, to avoid the imposition of any interest, additional tax or other penalties under Section 409A upon you or the Company. Except as expressly provided otherwise herein, no reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company covered by this Agreement shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

[signature page follows]

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Very truly yours,

VIVENDI HOLDING I CORP.

By: /s/ Robert C. Greenberg

Name: Robert C. Greenberg

Title: Senior Vice President Human Resources –
U.S.

ACCEPTED AND AGREED:

/s/ Bruce L. Hack

Bruce L. Hack

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EXHIBIT A

ACTIVISION BLIZZARD, INC.

MUTUAL RELEASE AGREEMENT

In consideration of the severance payments and benefits which are to be provided to me by Activision Blizzard, Inc. (the "Company") pursuant to Paragraph 4(a) (collectively the "Severance Benefits") of that certain letter agreement dated as of December 1, 2007 between me, the Company and Vivendi Holding I Corp. (the "Employment Agreement"), I hereby agree to and do release and forever discharge the Company, its parent, affiliated and subsidiary companies, and their respective past and present officers, directors, stockholders, insurers, employees and agents of any kind (the "Company Released Parties") from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with the Company, its parent, affiliated and subsidiary companies, from the beginning of time through and including the effective date of this Mutual Release Agreement, including, but not limited to, wrongful discharge, termination in

violation of public policy, breach of contract (both express and implied), breach of fiduciary duty, discrimination of any kind, tort, fraud, misrepresentation, the Civil Rights Acts, Employee Retirement Income Security Act (except for vested benefits that are not affected by this Mutual Release Agreement), Worker Adjustment and Retraining Notification Act, Age Discrimination in Employment Act, Employee Retirement Income Security Act, Americans with Disabilities Act, Family Medical Leave Act, Fair Labor Standards Act, Older Workers Benefit Protection Act, California Fair Employment and Housing Act, California Civil Code, California Labor Code, California Constitution, California Family Rights Act, California Worker's Compensation Act, Consolidated Omnibus Budget Reconciliation Act, or any other federal, state or local legislation or common law relating to human rights, employment, and/or discrimination in employment, or otherwise, and any and all claims for attorneys' fees, expenses or costs related to any of the foregoing. Notwithstanding the foregoing, nothing contained herein shall be deemed, interpreted or construed to constitute my release or relinquishment of or otherwise effect my continuing right to claim and receive either (i) any rights I may have to receive or the Company's obligations to pay or provide to me the Severance Benefits under the Employment Agreement or my rights to receive payments under Paragraph 5 of the Employment Agreement, (ii) any right I may have to be indemnified and/or defended from and against any and all third party or other claims incurred or encountered by me as a result of my performance of services or duties for and on behalf of any one or more of the Company Released Parties or my status as an employee, agent, officer, director, fiduciary or other representative of any one or more of the Company Released Parties including without limit my rights to receive coverage under any liability, errors and omissions or officers and directors insurance coverage maintained by any one or more of the Company Released Parties, and (iii) any accrued and vested benefits owed to me under any benefit plan, policy or program (including, without limitation, any such benefit plans, policies or programs granted or modified pursuant to the terms of the Employment Agreement or the letter agreement between me, Vivendi Holding I Corp. and Vivendi S.A., dated as of December 1, 2007) in which I participated during the term of my employment with the Company, all of which accrued and vested benefits and Employment Agreement provisions shall remain payable to me in accordance with the terms of the Employment Agreement or the governing benefit plan, policy or program (all of the foregoing described matters under sub-clauses (i), (ii) and (iii) of this Paragraph being herein collectively referred to as the "Employee Retained Rights").

In consideration for my execution of this Agreement and the waiver provided by me under the foregoing Paragraph, the Company hereby, on its behalf and on behalf of all other Company Released Parties, hereby agrees to and does release and forever discharge me and my heirs, representatives, successors and assigns (collectively the "Employee Released Parties") from any and all claims and causes

of action, known or unknown, arising out of or relating to my employment with or provision of services for or on behalf of the Company or any one or more of the other Company Released Parties, from the beginning of time through and including the effective date of this Mutual Release Agreement, including, but not limited to, breach of contract (both express and implied), breach of fiduciary duty, illegal act of any kind, tort, fraud, misrepresentation, or any other federal, state or local legislation or common law relating to human rights, employment, and/or discrimination in employment, or otherwise, and any and all claims for attorneys' fees, expenses or costs related to any of the foregoing. Notwithstanding the foregoing, nothing contained herein shall be deemed, interpreted or construed to constitute the Company's release or relinquishment of or otherwise effect its continuing right to receive any rights to which the Company is entitled under Paragraph 6 of the Employment Agreement (all of the foregoing described matters under this sentence of this Paragraph being herein collectively referred to as the "Company Retained Rights").

Except for or in connection with the Employee Retained Rights, I hereby waive all rights I may have to file any charge or complaint, nor will I accept any relief or recovery from any charge or complaint, for events or causes of action occurring or accruing on or before the effective date of this Mutual Release Agreement, before any federal, state, or local administrative agency against the Company Released Parties, except as such waiver is prohibited by statutory provision. Except for or in connection with the Employee Retained Rights, I further waive all rights to file or join in any action before any federal, state, or local court against the Company Released Parties for any events or causes of action occurring or accruing on or before the effective date of this Mutual Release Agreement. I also acknowledge that I do not have any current charge or claim against the Company Released Parties pending before any local, state or federal agency regarding my employment. Except as prohibited by statutory provision or for or in connection with the Employee Retained Rights, in the event that any claims are filed, they shall be dismissed with prejudice upon presentation of this Mutual Release Agreement, and I shall reimburse the Company for the costs, including reasonable attorneys' fees, of defending any such action.

Except for or in connection with the Company Retained Rights, the Company, for and on its behalf and for and on behalf of each of the Company Released Parties, hereby waives all rights it or they may have to file any charge or complaint, nor will it accept or permit any Company Released Party to pursue or accept any relief or recovery from any charge or complaint, for events or causes of action occurring or accruing on or before the effective date of this Mutual Release Agreement, before any federal, state, or local administrative agency against me or any of the Employee Released Parties, except as such waiver is prohibited by statutory provision. The Company, for and on its behalf and for and on behalf of each of the Company Released Parties and except for or in connection with the Company Retained Rights, further waives all rights to file or join in any action before any federal, state, or local court against me or any of the Employee Released Parties for any events or causes of action occurring or accruing on or before the effective date of this Mutual Release Agreement. The Company, for and on its behalf and for and on behalf of each of the Company Released Parties, also acknowledge that neither it nor any of the Company Released Parties has any current charge or claim against the me or any of the Employee Released Parties pending before any local, state or federal agency regarding my employment with the Company or my provision, performance or rendering of any services, duties or activities for or on behalf of any of the Company or the Company Released Parties. Except as prohibited by statutory provision and except for or in connection with the Company Retained Rights, in the event that any such claims are filed, they shall be dismissed with prejudice upon presentation of this Mutual Release Agreement, and the Company shall reimburse me and the Employee Released Parties for the costs, including reasonable attorneys' fees, of defending any such action.

The provision of the Severance Benefits completely extinguishes all of the Company Released Parties' obligations to me, other than the Employee Retained Rights, through and including the effective date of this Mutual Release Agreement, including, without limitation, severance under any agreement or

policy other than the Employment Agreement, compensation, health insurance premiums, and obligations of any kind arising from or related to my employment with the Company.

In the event of any dispute or claim concerning the provision of the Severance Benefits owed to me, including without limitation, the amount or nature of the Severance Benefits, the method, manner or timing of the provision of the Severance Benefits, or the rights and obligations of me or the Company in connection with the Severance Benefits, it is agreed by me and the Company that such dispute shall be submitted to binding arbitration in New York, New York before the American Arbitration Association ("Association") in accordance with the Association's rules applicable to such disputes and pursuant to Paragraph 11(a) of the Employment Agreement.

By signing this Mutual Release Agreement, I represent, warrant, and agree as follows, which representations, warranties, and agreements shall survive the execution of this Mutual Release Agreement:

- (i) I have carefully read my Employment Agreement and this Mutual Release Agreement and understand all of their respective terms;

(ii) I have had the opportunity to consult with an attorney or other advisor of my choice about this matter, and have been advised by the Company to do so if I choose; and

(iii) I have signed this Mutual Release Agreement knowingly and voluntarily, and no promises or representations have been made to me by any person to induce me to do so, other than the Employment Agreement and this Mutual Release Agreement.

By signing this Mutual Release Agreement, I further represent, warrant and agree and the Company hereby represents, warrants and agrees as follows, which representations, warranties, and agreements shall survive the execution of this Mutual Release Agreement:

(i) It is hereby acknowledged that there is a possibility that subsequent to the execution of this Mutual Release Agreement either I or the Company will discover facts or incur or suffer claims which were unknown or unsuspected by me or the Company at the time this Mutual Release Agreement was executed, and which if known by me or the Company at the time may have materially affected my or the Company's decision to execute this Mutual Release Agreement. Each of I and the Company acknowledge and agree that, by reason of this Mutual Release Agreement, each of I and the Company are respectively assuming the risk of such unknown facts and such unknown or unsuspected claims. Each of I and the Company have been advised and is aware of the existence of Section 1542 of the California Civil Code which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Notwithstanding such provisions, this Mutual Release Agreement shall constitute a full release in accordance with its terms. Each of I and the Company hereby knowingly and voluntarily waive the provisions of Section 1542, as well as any other statute, law or rule of similar effect, and acknowledge and agree that this waiver is an essential and material term of this Mutual Release Agreement, and without such waiver the Mutual Release Agreement would not have been accepted or agreed by either I or the Company. Each of I and the Company hereby represents that I and it have respectively been advised by my or its respective legal counsel, and that each of I and the Company understands and acknowledges the

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significance and consequence of this Mutual Release Agreement and of this specific waiver of Section 1542 and comparable laws of other jurisdictions; and

(ii) The Employment Agreement is Exhibit A to this Mutual Release Agreement, and is incorporated and made a part of this Mutual Release Agreement. This Mutual Release Agreement, together with the exhibits hereto, integrates the whole of all agreements and understandings between the Company and me concerning the subject matter of this Mutual Release Agreement and any other dealings between the Company and me. This Mutual Release Agreement supersedes all prior negotiations, discussions, or agreements relating to the subject matter of this Mutual Release Agreement, including employment contracts other than Exhibit A, if any, between the Company and its subsidiaries and affiliates, on the one hand, and me, on the other. **I AND THE COMPANY HEREBY REPRESENT, WARRANT, AND AGREE TO AND WITH THE OTHER THAT THERE ARE NO UNWRITTEN, ORAL, OR VERBAL UNDERSTANDINGS, AGREEMENTS, OR REPRESENTATIONS BETWEEN THE COMPANY, ITS SUBSIDIARIES, AFFILIATES, AND ME, AND THAT EACH OF MY AND THE COMPANY'S RESPECTIVE RIGHTS SHALL BE GOVERNED EXCLUSIVELY BY THIS MUTUAL RELEASE AGREEMENT;**

(iii) This Mutual Release Agreement shall be governed by and construed according to the laws of the State of New York, except that any conflict of laws rule requiring reference to the laws of another jurisdiction shall be disregarded;

(iv) Each of I and the Company has full express authority to settle all claims related my employment with the Company and/or its subsidiaries or affiliates, and that neither I nor the Company have given or made any assignment of such claims. **TO THE EXTENT THAT ANY CLAIM RELATED TO THIS MUTUAL RELEASE AGREEMENT MAY BE BROUGHT BY PERSONS OR ENTITIES CLAIMING BY, THROUGH, OR UNDER ME, OR MY SPOUSE, HEIRS, SUCCESSORS, OR ASSIGNS, THEN I FURTHER AGREE TO INDEMNIFY AND HOLD HARMLESS THE COMPANY, ITS AGENTS, AND ITS SUCCESSORS FROM ANY LAWSUIT, JUDGMENT, OR SETTLEMENT ARISING FROM SUCH CLAIMS. TO THE EXTENT THAT ANY CLAIM RELATED TO THIS MUTUAL RELEASE AGREEMENT MAY BE BROUGHT BY PERSONS OR ENTITIES CLAIMING BY, THROUGH, OR UNDER THE COMPANY OR ANY OF THE COMPANY RELEASED PARTIES, THEN THE COMPANY FURTHER AGREES TO INDEMNIFY AND HOLD HARMLESS ME, MY AGENTS, AND MY SUCCESSORS FROM ANY LAWSUIT, JUDGMENT, OR SETTLEMENT ARISING FROM SUCH CLAIMS;**

I understand that I may take up to forty-five (45) days to review and consider this Mutual Release Agreement.

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I may revoke this Mutual Release Agreement after signing it, by delivering a written revocation to the Company's Director of Human Resources no later than seven (7) days after the date I sign it as shown below. This Mutual Release Agreement, however, shall not become effective, and I shall not receive any Severance Benefits, until the seven-day revocation period has expired.

TO BE SIGNED AFTER TERMINATION OF EMPLOYMENT

Employee's Signature

Bruce L. Hack

Print Name

Date

By: _____
Print Name : _____

Title: _____

Date

EXHIBIT B

Sample Severance Calculation with respect to the Post-Closing Merger Integration Bonus program

Note: The following is provided solely for illustrative purposes and is not intended to reflect or limit in any respect the actual terms and/or conditions of the actual Post-Closing Merger Integration Bonus set forth in Paragraph 3(e).

Assuming for purposes of this example that the \$1,000,000 target Post-Closing Merger Integration Bonus is payable based upon one performance period, if your employment with the Company were terminated after the Closing Date either in an Involuntary Termination or upon your resignation for Good Reason after the end of the performance period established under Paragraph 3(e), but before the Post-Closing Merger Integration Bonus is paid, and the ultimate forecast vs. goals generates zero payout for the performance period, then you would not receive any severance compensation under Paragraph 4(a) with respect to the Post-Closing Merger Integration Bonus. However, if your employment were terminated after the Closing Date either in an Involuntary Termination or upon your resignation for Good Reason prior to the end of the performance period established under Paragraph 3(e), you would be entitled to receive severance compensation of \$1,000,000 with respect to the Post-Closing Merger Integration Bonus representing a “target” payment for the unexpired performance period.

EXHIBIT C – Notices

Schedule 1 – Policies

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of July 9, 2008, is made between VIVENDI HOLDING I CORP., a Delaware corporation (the "Assignor") and ACTIVISION, INC., a Delaware corporation (also known as ACTIVISION BLIZZARD, INC., the "Assignee").

RECITALS

The Assignee and affiliates of the Assignor have entered into that certain Business Combination Agreement, dated as of December 1, 2007 (the "BCA"), pursuant to which, among other things, affiliates of the Assignor have agreed to cause the Assignor to assign to Assignee and the Assignee has agreed to assume from the Assignor the Assignor's rights, duties and obligations under the employment letter agreement, dated December 1, 2007, by and between the Assignor and Bruce L. Hack, providing for Mr. Hack's employment as Vice Chairman of the Board and Chief Corporate Officer of the Assignee after the closing of the transactions contemplated by the BCA (the "Employment Agreement").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Assignee hereby agrees to pay, discharge, perform or otherwise satisfy, and assumes and agrees to be bound by, all obligations of the Assignor under the Employment Agreement.
2. The Assignor hereby contributes, conveys, transfers and assigns to the Assignee all of the Assignor's rights, duties and obligations under the Employment Agreement.
3. Nothing in this Agreement shall alter any liability or obligation of the Assignee or any affiliate of the Assignor arising under the BCA.
4. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
5. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York.
6. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[The remainder of this page has been intentionally left blank.]

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

VIVENDI HOLDING I CORP.

By: /s/ George E. Bushnell III
 Name: George E. Bushnell III
 Title: President

ACTIVISION, INC.

By: /s/ Robert A. Kotick
 Name: Robert A. Kotick
 Title: Chief Executive Officer

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

You have been awarded an option to purchase Common Shares of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Bruce Hack**
- Total number of Shares purchasable upon exercise of the Stock Option awarded: **200,000**
- Exercise Price: US\$**32.94** per Share
- Date of Grant: **July 14, 2008**
- Expiration Date: **July 14, 2018**
- Grant ID: **07001014**
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
- *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
First anniversary of Date of Grant	66,667	66,667
Second anniversary of Date of Grant	66,667	133,334
Third anniversary of Date of Grant	66,666	200,000

- The Stock Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.

Please sign and return to the Company this Notice of Stock Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.

Please return the signed Notice of Stock Option Award to the Company at:

Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Stock Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

Ann E. Weiser
Chief Human Resources Officer

Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Bruce Hack

EXHIBIT A
ACTIVISION BLIZZARD, INC.
2007 INCENTIVE PLAN
STOCK OPTION AWARD TERMS

1. **Definitions.**

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“Award” means the award described on the Grant Notice.

“Cause” has the meaning given to such term in the Employment Agreement.

“Common Shares” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8 hereof.

“Company” means Activision Blizzard, Inc. and any successor thereto.

“Company-Sponsored Equity Account” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“Date of Grant” means the Date of Grant of the Award set forth on the Grant Notice.

“Disability” has the meaning given to such term in the Employment Agreement.

“Employment Agreement” means the employment letter agreement, dated December 1, 2007, between the Holder and the Vivendi Holding I Corp, as assumed by the Company pursuant to an Assignment and Assumption Agreement dated July 9, 2008.

“Employment Violation” means any material breach by the Holder of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“Equity Account Administrator” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“Exercise Price” means the Exercise Price set forth on the Grant Notice.

“Expiration Date” means the Expiration Date set forth on the Grant Notice.

“Good Reason” has the meaning given to such term in the Employment Agreement.

“Grant Notice” means the Notice of Stock Option Award to which these Award Terms are attached as Exhibit A.

“Holder” means the recipient of the Award named on the Grant Notice.

“Look-back Period” means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“Option” means the Stock Option to purchase Common Shares awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“Plan” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“Recapture Amount” means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Stock Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Stock Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Stock Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic

average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

“**Shares**” means the Common Shares purchasable upon exercise of the Stock Option.

“**Term**” has the meaning given to such term in the Employment Agreement.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

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(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. The Stock Option shall expire on the Expiration Date and, after such expiration, shall no longer be exercisable.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Stock Option shall vest, and thereupon become exercisable, in accordance with the “Schedule for Vesting” set forth on the Grant Notice.

(b) Exercisable Only by Holder. Except as otherwise permitted under the Plan or Section 10 hereof, the Stock Option may be exercised during the Holder’s lifetime only by the Holder or, in the event of the Holder’s legal incapacity to do so, by the Holder’s guardian or legal representative acting on behalf of the Holder in a fiduciary capacity under state law and/or court supervision.

(c) Procedure for Exercise. The Stock Option may be exercised by the Holder as to all or any of the Shares as to which the Stock Option has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator’s website from time to time or (ii) with the Company’s consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company’s consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company’s consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company’s consent, any combination of (i) or (ii) above.

(e) No Fractional Shares. In no event may the Stock Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect

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the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Stock Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Stock Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Stock Option and the number of Shares that thereafter remain available for purchase upon exercise of the Stock Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Death or Disability. Unless the Committee determines otherwise, in the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder’s employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder’s Disability, the Stock Option shall (i) cease to vest as of the date of the Holder’s death or the date of the Holder’s termination of employment due to his Disability, as the case may be, and (ii) to the extent vested as of the date of the Holder’s death or the date of the Holder’s termination of employment due to his Disability, as the case may be, remain exercisable in accordance with these Award Terms until the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of the Holder’s death or the first date of the Holder’s Disability, as the case may be, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

(c) Without Cause, For Good Reason, or Expiration of Term. In the event that the Holder's employment with the Company and its subsidiaries and affiliates is terminated (i) by the Company or any of its subsidiaries or affiliates without Cause, (ii) by the Holder for Good Reason, or (iii) by the Company or any of its subsidiaries or affiliates or the Holder at the expiration of the Term, as of the date of such termination of employment the Stock Option shall become fully and immediately vested and shall remain exercisable in accordance with these Award Terms until the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled.

(d) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the

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date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Stock Option, the issuance or transfer of any Shares upon exercise of the Stock Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Stock Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Stock Option such number of Common Shares as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of the Holder taken as a whole without the Holder's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 8 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to Section 409A of the Code.

8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder

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that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Stock Option may not be exercised, and the Stock Option and Shares purchasable upon exercise of the Stock Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Stock Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Stock Option or Shares, to issue or transfer the Stock Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Stock Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Transferability. Except as otherwise permitted under the Plan or this Section 10, the Stock Option shall not be transferable by the Holder other than by will or the laws of descent and distribution. Subject to the terms of the Plan, with the Company's consent, the Holder may transfer all or part of the Stock Option for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided further that the Holder will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

11. Employment Violation. The terms of this Section 11 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder

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to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 12 does not create an obligation on the part of the Committee or the Company to make any such modification.

13. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

15. No Rights as Stockholder. No holder of the Stock Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so

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invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

21. Deemed Agreement. By accepting the Award, the Holder is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**") is entered into as of this 16th day of July, 2008, between Activision, Inc. (also known as Activision Blizzard, Inc., the "**Employer**") and Jean-François Grollemund ("**you**").

RECITAL

The Employer desires to employ you, and you desire to be so employed by the Employer, on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises set forth in this Agreement, the Employer and you hereby agree as follows:

1. Term of Employment

(a) Reference is made to the Business Combination Agreement, dated as of December 1, 2007 (the "**BCA**"), by and between Vivendi S.A. ("**Vivendi**"), VGAC LLC, Vivendi Games, Inc., Activision, Inc. and Sego Merger Corporation. The term (the "**Term**") of your employment under this Agreement shall commence upon the Closing (as defined in the BCA) (the "**Effective Date**") and will expire on the date that is two years following the Effective Date (or such earlier date on which your employment is terminated pursuant to Sections 9 or 10).

(b) The Employer expressly acknowledges and agrees that you and Vivendi are party to an employment agreement dated January 12, 2004, as modified by the letters dated February 27, 2007 and July 15, 2008 (the "**Vivendi Employment Agreement**") pursuant to which you provide services to Vivendi and its affiliates and subsidiaries. Moreover, this Agreement shall not affect the provisions of the Vivendi Employment Agreement or any rights you may have thereunder. You expressly acknowledge that in no event shall the Employer or its subsidiaries or controlled affiliates (collectively, the "**Activision Group**") have any obligations under the Vivendi Employment Agreement or for any payments or benefits owed to you pursuant to the Vivendi Employment Agreement or any compensation or benefit plan, program or arrangement maintained by Vivendi and its subsidiaries and affiliates; provided, however, that nothing herein shall modify or affect Sections 2.1 or 2.3 of the Investor Agreement, dated as of July 9, 2008, by and among Vivendi S.A., VGAC LLC, Vivendi Games, Inc. and Activision Blizzard, Inc. or any other written agreement between Activision Blizzard, Inc. and Vivendi.

(c) Except as set forth in Section 12(u) and Section 11, upon the expiration of the Term (or such earlier date on which your employment is terminated pursuant to Sections 9 or 10) all obligations and rights under this Agreement shall immediately lapse. If your employment continues beyond the expiration of the Term, you shall be an at-will employee whose employment may be terminated by either of the parties to this Agreement at any time for any reason.

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2. Compensation

(a) Subject to the provisions of this Agreement, in full consideration for all rights and services provided by you under this Agreement, during the Term you shall receive the compensation set forth in this Section 2.

(b) Commencing on the Effective Date, you shall receive an annual base salary ("**Base Salary**") of \$348,300 paid in accordance with the Employer's payroll policies in effect from time to time. On each anniversary of the Effective Date during the Term (or such other time at which salaries of other executives are reviewed), your Base Salary shall be reviewed and may be increased, but not decreased, by an amount determined by the Board of Directors (the "**Board**") of the Employer or the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole and absolute discretion.

(c) During the Term you will be eligible to receive an annual discretionary bonus (the "**Annual Bonus**"). Your target Annual Bonus during the Term will be fifty percent (50%) of your Base Salary in effect at the time bonus criteria for the year are established, with a minimum bonus payable of 0% of your Base Salary and a maximum bonus payable of 100% of your Base Salary, provided that the actual amount of the Annual Bonus, if any, is within the sole and absolute discretion of the Compensation Committee and will be based upon your achievement of personal, financial and business objectives and goals for the fiscal year with respect to which the Annual Bonus is calculated, such determination shall be made by the Compensation Committee in its sole discretion. In the event your employment is terminated by the Employer without Cause after the expiration of the Term, but during the fiscal year in which the Term expires, you shall be entitled to a pro-rated Annual Bonus for such fiscal year, in an amount equal to the bonus you would have received in accordance with this Section 2(c) for such fiscal year, based on actual performance, had you remained employed through the date such bonus would have been paid, multiplied by a fraction, the numerator of which is the number corresponding to the month in which the date of termination occurs and the denominator of which is 12. The Annual Bonus (including any pro-rated Annual Bonus pursuant to the immediately preceding sentence) will be paid at the same time bonuses are paid to senior executives, but in no event later than the 15th day of the third month of the year following the fiscal year to which the Annual Bonus relates. Except as otherwise set forth in this Agreement, you must remain continuously employed by the Activision Group through the date on which the Annual Bonus is paid to be eligible to receive such Annual Bonus.

(d) Subject to the approval of the Compensation Committee, pursuant to the Employer's 2007 Incentive Plan (the "**Plan**"), you will be granted 6,000 restricted share units which represent the conditional right to receive shares of the Employer's common stock (the "**RSUs**"). Such RSUs will vest ratably in equal monthly installments over the 24 month period following the Effective Date, subject to your remaining employed by the Activision Group through each vesting date. You acknowledge that the RSU grant made pursuant to this Section 2(d) is expressly conditioned upon approval by the Compensation Committee, and that the Compensation Committee has discretion to approve or disapprove the grant and/or to determine and make modifications to the terms of the grant. The RSUs shall be subject to all terms of the

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Plan and its standard forms of award agreements. In the event of a conflict between this Agreement and the terms of the Plan or award agreements, the Plan or the award agreements, as applicable, shall govern.

(e) During the Term, you will be eligible for additional equity award grants (the "**Equity Awards**") in an amount commensurate with your position with the Employer as the Employer, in its sole discretion, may award to you from time to time. Such Equity Awards shall be expressly conditioned upon approval by

the Compensation Committee, and the Compensation Committee has discretion to approve or disapprove the grants and/or to determine and make modifications to the terms of the grants. The Equity Awards shall be subject to all terms of the applicable incentive plan and the Employer's standard forms of award agreements.

(f) You acknowledge that, pursuant to that certain letter agreement between you and Vivendi Games, Inc. dated August 3, 2007, you have been paid a lump sum transaction bonus in an amount in cash equal to \$169,000. In addition, the Employer acknowledges that you remain eligible to receive a lump sum special performance bonus in an amount in cash equal to \$168,000 in accordance with the terms of that certain letter agreement between you and Vivendi Games, Inc. dated August 3, 2007, attached hereto as Exhibit B, so long as you remain continuously employed by the Employer through the first anniversary of the Effective Date. The bonus payments described in this Section 2(f) shall be in addition to, and not in lieu of, any Annual Bonus earned under Section 2(c) and shall be deemed in complete satisfaction of the obligations of the Employer and Vivendi Games, Inc. set forth in the letter agreements referenced in this Section 2(f).

(g) During the Term the Employer shall pay you an aggregate housing allowance equal to \$75,000, payable in equal installments in accordance with the Employer's payroll practices. In addition, at the same time, the Employer will pay you an amount equal to the amount of incremental taxes it reasonably estimates you will pay by reason of the inclusion in your income of the payments set forth in the immediately preceding sentence.

(h) During the Term, the Employer shall reimburse you for the cost of three business class round trip airline tickets per year to France for you and your wife in accordance with the Employer's travel policy in effect from time to time.

(i) The Employer agrees that it shall indemnify and hold you harmless to the fullest extent permitted by Delaware law from and against any and all liabilities, costs and claims, and all expenses actually and reasonably incurred in connection therewith, including, without limitation, all costs and expenses actually and reasonably incurred by you in defense of litigation arising out of your employment hereunder. To the extent that the Employer maintains directors' and officers' insurance, you shall be covered by such insurance on the same terms and conditions as other similarly situated executives of the Employer and its subsidiaries.

3. Title; Location

During the Term, you shall serve as Chief Merger Officer of the Employer. Your principal place of business shall be the Employer's headquarters in Santa Monica, California;

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provided, however, that you acknowledge and agree that you may be required to travel from time to time for business reasons.

4. Duties

Upon commencement of the Term you shall report directly to the Employer's Chief Corporate Officer and the Employer's Merger Steering Committee and shall have such duties commensurate with your position as may be assigned to you by the Chief Corporate Officer from time to time, including leading the integration of the Activision and Blizzard businesses under the direction of the Chief Corporate Officer. You are also required to read, review and observe all of the Employer's existing policies, procedures, rules and regulations in effect from time to time during the Term. You shall devote your full-time working time to your duties hereunder, shall faithfully serve the Activision Group, shall in all respects conform to and comply with the lawful directions and instructions given to you in good faith by the Board and shall use your best efforts to promote and serve the interests of the Activision Group. Further, you shall not, directly or indirectly, render services to any other person or organization without the consent of Chief Executive Officer or otherwise engage in activities that would interfere significantly with your faithful performance of your duties hereunder; provided, however, that you may serve on civic or charitable boards or engage in charitable activities without remuneration if doing so is not inconsistent with or adverse to your employment hereunder.

5. Expenses

To the extent you incur necessary and reasonable travel or other business expenses in the course of your employment, you shall be reimbursed for such expenses, upon presentation of written documentation in accordance with the Employer's policies in effect from time to time.

6. Other Benefits

(a) During the Term you shall be entitled to participate in all plans, programs and arrangements generally available to senior executives of the Employer and its subsidiaries, as amended from time to time.

(b) During the Term, you will be entitled to participate in all perquisite programs generally available from time to time to senior executives of the Employer and its subsidiaries on the terms and conditions then prevailing under such programs.

(c) You expressly agree and acknowledge that after expiration of the Term (or such earlier date on which your employment is terminated pursuant to Sections 9 or 10), you are entitled to no additional benefits, except as specifically provided in this Agreement and the benefit plans in which you participate during the Term, and subject in each case to the terms and conditions of each such plan.

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7. Vacation and Paid Holidays

You will be entitled to paid vacation days and paid holidays in accordance with the normal U.S. vacation and holiday policies of the Employer in effect from time to time.

8. Protection of the Employer's Interests

(a) **Duty of Loyalty.** During the Term, you will owe a "**Duty of Loyalty**" to the Employer, which includes, but is not limited to, your not competing in any manner, whether directly or indirectly, as a principal, employee, agent, owner, or otherwise, with the Employer, or any affiliate of the Employer; provided, however, that nothing in this Section 8(a) will limit your right to own up to five percent (5%) of any of the debt or equity securities of any business organization that is then required to file reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

(b) **Policy Compliance.** You confirm that you have read, understand and will comply with the Employer's policies, procedures and rules in effect from time to time, including without limitation, the Code of Business Conduct and Ethics and the Code of Ethics for Senior Executive Officers, as amended from time to time.

(c) **Property of the Employer.** All rights worldwide with respect to any and all intellectual or other property of any nature produced, created or suggested by you during the term of your employment or resulting from your services which (i) relate in any manner at the time of conception or reduction to practice to the actual or demonstrably anticipated business of the Employer, (ii) result from or are suggested by any task assigned to you or any work performed by you on behalf of the Employer, or (iii) are based on any property owned or idea conceived by the Employer, shall be deemed to be a work made for hire and shall be the sole and exclusive property of the Employer. You agree to execute, acknowledge and deliver to the Employer, at the Employer's request, such further documents, including copyright and patent assignments, as the Employer finds appropriate to evidence the Employer's rights in such property. Your agreement to assign to the Employer any of your rights as set forth in this Section 8(c) shall not apply to any invention that qualifies fully under the provisions of California Labor Code Section 2870, where no equipment, supplies, facility or trade secret information of the Employer were used and that was developed entirely upon your own time, and that does not relate to the Employer's business, and that does not result from any work performed by you for the Employer.

(d) **Covenant Not to Shop.** During the Term, you shall not seek or negotiate for employment with any entity or person outside of the Activision Group. Notwithstanding the foregoing, during the final six (6) months of the Term you may seek or negotiate employment outside of the Activision Group upon written notice to the Employer. During the search process you shall remain strictly subject to your continuing obligations under this Agreement, including, without limitation, your duty of loyalty, compliance with the Employer's policies and your confidentiality obligations.

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(e) **Confidentiality.** No confidential or proprietary information of the Activision Group shall be used by you or disclosed or made available by you to any person except as required in the course of your employment, and upon the termination of your employment (or at any time on the Employer's request), you shall return to the Employer all such information that exists, whether in electronic, written, or other form (and all copies thereof) under your control. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the Activision Employee Proprietary Information Agreement attached as Exhibit A hereto (the "**Proprietary Information Agreement**") as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein. You also acknowledge that upon termination of your employment for any reason whatsoever (or at any time on the Employer's request), you will promptly deliver to the Employer or surrender to the Employer's representative all property of the Activision Group, including without limitation, all documents and other materials (and all copies thereof) relating to the Activision Group's business, all identification and access cards, all contact lists and third party business cards however and wherever preserved, and any equipment provided by the Activision Group, including computers, telephones, personal digital assistants, memory cards and similar devices which you possess or have in your custody or under your control. The provisions of this Section 8(e) shall survive the expiration of the Term or such earlier date on which your employment is terminated pursuant to Sections 9 or 10.

(f) **Covenant Not to Solicit.**

- (i) During your employment, you shall not, either alone or jointly, with or on behalf of others, directly or indirectly, whether as principal, partner, agent, shareholder, director, employee, consultant or otherwise: (a) offer employment to, or directly or indirectly solicit the employment or engagement of, or otherwise entice away from the employment of the Activision Group, either for your own account or for any other person, firm or company, any person employed by the Activision Group, whether or not such person would commit any breach of a contract by reason of his or her leaving the service of the Activision Group; or (b) directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, partner or other business relationship of the Activision Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with the Employer or its affiliates.
- (ii) For a period of two (2) years following the expiration of the Term (or such earlier date on which your employment is terminated pursuant to Sections 9 or 10) for any reason whatsoever, you shall not, either alone or jointly, with or on behalf of others, directly or indirectly, whether as principal, partner, agent, shareholder, director, employee, consultant or otherwise, solicit the employment or engagement of, either for your own account or for any other person, firm or company, any person employed by the Activision Group, whether or not such person would commit any breach

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of a contract by reason of his or her leaving the service of the Employer or its affiliates.

- (iii) At all times following the expiration of the Term (or such earlier date on which your employment is terminated pursuant to Sections 9 or 10) for any reason whatsoever, you shall not use the confidential, trade secret information of the Activision Group or any other unlawful means to directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, partner or other business relationship of the Activision Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with the Employer or its affiliates.
- (iv) You expressly acknowledge and agree that the restrictions contained in this Section 8(f) are reasonably tailored to protect the Activision Group's confidential information and trade secrets, and are reasonable in all circumstances in scope, duration and all other respects. It is expressly agreed by the parties that if for any reason whatsoever any one or more of such restrictions shall (either taken by itself or themselves together) be adjudged to go beyond what is legally permissible for the protection of the legitimate interests of the Activision Group, that the prohibitions shall be in effect and upheld to the fullest extent permissible under applicable laws.

9. Termination due to your Disability.

(a) The Employer may, upon not less than thirty (30) days written notice to you ("**Disability Notice**"), terminate your employment due to your Disability.

(b) For purposes of this Agreement, "**Disability**" shall mean that you are unable to perform, by reason of physical or mental incapacity, the essential functions of your position hereunder for a period of one hundred eighty (180) consecutive days. The existence of a Disability under Section 9(a) shall be determined by a physician mutually agreed upon by you and the Employer. If you and the Employer are unable to agree on such a physician, you and the Employer shall each appoint one physician and those two physicians shall appoint a third physician who shall make the determination of whether you have a Disability. You shall

cooperate and make yourself available for any medical examination requested by the Employer with respect to any determination of your Disability within ten (10) days of such a request.

(c) Nothing in this Section 9 shall reduce any right you may otherwise have to receive any disability benefits under any Employer-sponsored disability plan.

10. Termination of Employment

(a) **Resignation by Employee.** You may resign your employment at any time for any reason (including Good Reason) prior to the expiration of the Term. If you do resign, the

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Employer may accept your resignation effective on the date set forth in your notice or any earlier date occurring on or after the date such notice is delivered.

(b) **By the Employer for Cause.** At any time during the Term, the Employer may terminate your employment for “Cause”, which shall include, but not be limited to, a good-faith determination by the Employer that you:

- (i) engaged in willful, reckless or gross misconduct;
- (ii) materially breached this Agreement or any other agreement between the Employer or the Activision Group and you;
- (iii) committed, were convicted of, or pled no contest to a felony or crime involving dishonesty or moral turpitude;
- (iv) breached your Duty of Loyalty;
- (v) violated any material Activision Group policy; or
- (vi) materially failed to follow any lawful directive of the Employer.

In the case of any termination for Cause pursuant to clauses (ii), (v) or (vi), the Employer shall give you at least thirty (30) days written notice of its intent to terminate your employment. The notice shall specify (x) the effective date of your termination and (y) the particular acts or circumstances that constitute Cause for such termination. You shall be given the opportunity within fifteen (15) days after receiving the notice to explain why Cause does not exist or to cure any basis for Cause. Within fifteen (15) days after any such explanation or cure, the Employer will make its final determination regarding whether Cause exists and deliver such determination to you in writing. If the final decision is that Cause exists and no cure has occurred, your employment with the Employer shall be terminated for Cause as of the date of termination specified in the original notice. If the final decision is that Cause does not exist or a cure has occurred, your employment with the Employer shall not be terminated for Cause at that time. If your employment terminates for any reason other than a termination by the Employer for Cause, at a time when the Employer had Cause to terminate you (or would have had Cause if it then knew all relevant facts), your termination shall be treated as a termination by the Employer for Cause.

(c) **By the Employer Without Cause.** The Employer may terminate your employment without Cause at any time during the Term and such termination shall not be deemed a breach by the Employer of any term of this Agreement or any other duty or obligation, expressed or implied, which the Employer may owe to you pursuant to any principle or provision of law.

(d) **By You for Good Reason.** At any time during the Term, you may terminate your employment for “Good Reason”, which, for the purposes of this Agreement, shall mean that without your written agreement or other voluntary action on your part, the Employer (i) reassigns your primary place of employment to a location that is more than fifty (50) miles from

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your primary place of employment as of the Effective Date and that materially and adversely affects your commute; or (ii) materially breaches any material term of this Agreement; provided, however, that you must (x) provide the Employer with written notice of your intent to terminate this Agreement and your employment and a description of the event you believe constitutes Good Reason within thirty (30) days after the initial existence of the event and (y) the Employer shall have ninety (90) days after you provide the notice described above to cure the default that constitutes Good Reason (the “Cure Period”). You will have five (5) days following the end of the Cure Period to terminate your employment, after which Good Reason will no longer exist.

(e) **Death.** In the event of your death during the Term, your employment shall terminate immediately as of the date of your death. Nothing in this Section 10(e) shall reduce any right you may otherwise have to receive any death benefits under any Employer-sponsored employee benefit plan.

11. Termination of Obligations and Severance Payments

(a) **General.** Upon the termination of your employment pursuant to Section 10, your rights and the Employer’s obligations to you under this Agreement shall immediately terminate except as provided in this Section 11 and Section 12(u), and you (or your heirs or estate, as applicable) shall be entitled to receive the amounts or benefits set forth below. The payments and benefits provided pursuant to this Section 11 are (x) in lieu of any severance or income continuation protection under any plan of the Activision Group that may now or hereafter exist and (y) deemed to satisfy and be in full and final settlement of all obligations of the Activision Group to you under this Agreement. You shall have no further right to receive any other compensation or benefits following your termination of employment for any reason except as set forth in this Section 11.

For the purposes of this Agreement, the following terms shall have the following meanings:

“**Basic Severance**” shall mean payment of (1) any earned but unpaid Base Salary through the date of your termination; (2) any earned but unpaid Annual Bonus for any fiscal year that ended prior to your termination; and (3) reimbursement of approved expenses due to you pursuant to Section 5.

“**Bonus Severance**” shall mean payment of a pro-rated annual bonus for the fiscal year in which your termination of employment occurs, in an amount equal to the bonus you would have received in accordance with Section 2(c) for such year if you had remained employed through the date such bonus would have

been paid, multiplied by a fraction, the numerator of which is the number corresponding to the month in which the Termination Date occurs and the denominator of which is 12. For purposes of calculating the Bonus Severance, any personal, performance goals will be deemed attained at the greater of (i) target performance and (ii) actual performance.

“**Termination Date**” shall mean the effective date of your termination of employment pursuant to Sections 9 and 10(a)-(e).

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(b) **Death or Disability.** In the event your employment is terminated under Sections 10(e) or 9:

- (i) You or your heirs or estate, as applicable, shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date.
- (ii) You or your heirs or estate, as applicable, shall receive payment of the Bonus Severance in a lump sum on the 15th day of the third month of the year following the year in which the Termination Date occurs.
- (iii) All outstanding and unvested RSUs, along with any other outstanding and unvested Equity Awards, shall immediately vest, and, if applicable, become exercisable in full, as of the Termination Date. The vested RSUs shall be paid in accordance with their terms.
- (v) Payments and benefits under this Section 11(b) shall be in addition to any payments you or your beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan or life insurance policy maintained by the Employer.

(c) **Termination by the Employer Without Cause or by you for Good Reason.** In the event the Employer terminates your employment under Section 10(c) or you terminate your employment under Section 10(d):

- (i) You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date.
- (ii) During the period commencing on the Termination Date and ending on the six (6) month anniversary of the Termination Date (the “**Initial Severance Period**”), you shall receive payment of an amount (the “**Initial Severance**”) equal to the lesser of (x) the Base Salary (at the rate in effect on the Termination Date) that you would have received had you remained employed through the last date of the Term, (y) the Base Salary (at the rate in effect on the Termination Date) that you would have received had you remained employed through the Initial Severance Period and (z) the maximum amount payable pursuant to a “separation pay plan” as set forth in Section 409A (“**Section 409A**”) of the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder (the “**Code**”). Payment of the Initial Severance shall be made in equal installments commencing on the first payroll pay date following your termination of employment in accordance with the Employer’s payroll practices then in effect on the date of your termination; provided, however, that you must sign a Release (as defined in Section 11(c)(vi) below) in order to receive the amounts set forth in this Section 10(c)(ii). If the

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Release has not become effective and irrevocable at the time an installment payment is otherwise due (for example, as a result of the applicable revocation period not having expired), payment of such installment will be delayed until the Release becomes effective and irrevocable in its entirety. The Employer will pay any installments that were due prior to the effective date of the Release in a lump sum on the date scheduled for payment of the next installment. The Initial Severance is intended to constitute a “separation payment plan” for purposes of Section 409A of the Code.

- (iii) During the period commencing on the first day following the expiration of the Initial Severance Period and ending on the last date of the Term (the “**Additional Severance Period**”) you shall receive payment of an amount (the “**Additional Severance**”) equal to the difference, if any between (x) the Base Salary (at the rate in effect on the Termination Date) that you would have received had you remained employed through the last date of the Term and (y) the Initial Severance. The Additional Severance shall be paid in equal installments through the Additional Severance Period in accordance with the Employer’s payroll practices in effect at the time of the Termination Date.
- (iv) You shall receive payment of the Bonus Severance in a lump sum on the later of (x) the 15th day of the third month of the year following the fiscal year in which the Termination Date occurs and (y) the first day following the end of the Initial Severance Period.
- (v) All outstanding and unvested RSUs, along with any other outstanding and unvested Equity Awards, shall immediately vest, and, if applicable, become exercisable in full, as of the Termination Date. The vested RSUs shall be paid in accordance with their terms.
- (vi) Payment of the Initial Severance, the Bonus Severance, the Additional Severance and continued vesting of the RSUs pursuant to this Section 11(c) are conditioned upon your execution of a waiver and release agreement in a form prepared by the Employer (the “**Release**”) and the Release becoming effective and irrevocable in its entirety. If the Release does not become effective and irrevocable on or prior to the last date of the Initial Severance Period, you shall not be entitled to any payments or benefits pursuant to this Section 11(c) other than the Basic Severance.

(d) **Termination For Cause or Resignation without Good Reason.** In the event your employment and this Agreement is terminated by the Employer under Section 10(b) or you terminate your employment without Good Reason, then:

- (i) You shall receive payment of the Basic Severance in a lump sum thirty (30) days following the Termination Date;

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- (ii) In the event of a termination of your employment for Cause, all outstanding RSUs shall cease to vest and, whether or not vested, shall be cancelled immediately; and

- (iii) In the event of your resignation without Good Reason, all outstanding RSUs shall cease to vest, any unvested RSUs shall be cancelled immediately, and any vested RSUs shall be paid in accordance with their terms.

(e) **Breach of Post-termination Obligations.** In the event that you breach any of your obligations under Section 8, the Employer's obligation, if any, to make payments and provide benefits under Section 11 (other than payment of the Basic Severance) shall immediately and permanently cease and you shall not be entitled to any such payments or benefits.

12. General Provisions

(a) **Entire Agreement.** This Agreement and the Proprietary Information Agreement, supersedes all prior or contemporaneous agreements and statements, whether written or oral, concerning the terms of your employment with the Activision Group and no amendment or modification of these agreements shall be binding unless it is set forth in a writing signed by both the Employer and you. To the extent that this Agreement conflicts with any of the Employer's policies, procedures, rules or regulations, this Agreement shall supersede the other policies, procedures, rules or regulations.

(b) **Use of Employee's Name.** Employer shall have the right, but not the obligation, to use your name, voice or likeness for any publicity or advertising purpose.

(c) **Assignment.** The Employer may assign this Agreement or all or any part of its rights and obligations under this Agreement to any entity which succeeds to all or substantially all of the Employer's stock or assets (whether by merger, acquisition, consolidation, reorganization or otherwise) and following such assignment all references to the Employer shall be deemed to refer to such assignee.

(d) **No Conflict with Prior Agreements.** You represent to the Employer that neither your commencement of employment under this Agreement nor the performance of your duties under this Agreement conflicts or will conflict with any contractual or legal commitment on your part to any third party, nor does it or will it violate or interfere with any rights of any third party. For the avoidance of doubt, your provision of services and receipt of compensation and benefits pursuant to the Vivendi Employment Agreement shall not be deemed a breach of this Agreement.

(e) **Successors.** This Agreement shall be binding on and inure to the benefit of the Employer and its successors and assigns. This Agreement shall also be binding on and inure to the benefit of you and your heirs, executors, administrators and legal representatives.

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(f) **Waiver.** No waiver by you or the Employer at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the parties hereto or from any failure by any party hereto to assert its rights hereunder on any occasion or series of occasions.

(g) **Prevailing Law.** Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law and wherever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation, the latter shall prevail, but in such event the provision of this Agreement affected shall be curtailed and limited only to the extent necessary to bring it within legal requirements.

(h) **Expiration.** This Agreement does not constitute a commitment of the Employer with regard to your employment, express or implied, other than to the extent expressly provided for herein. Upon the expiration of the Term (or if earlier, the termination of your employment pursuant to Sections 9 or 10), it is the contemplation of both parties that your employment with the Activision Group shall cease, and that neither the Employer nor you shall have any obligation to the other with respect to your continued employment.

(i) **Taxation.** The Employer may withhold from any payments made under the Agreement all federal, state, city or other applicable taxes as shall be required pursuant to any law, governmental regulation or ruling.

(j) **Choice of Law.** Except to the extent governed by Federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to conflict of law principles.

(k) **Immigration.** In accordance with the Immigration Reform and Control Act of 1986, employment under this agreement is conditioned upon satisfactory proof of your identity and legal ability to work in the United States. The Employer acknowledges that you are currently employed under a class L-1 visa and have filed an application to become a lawful permanent resident of the United States, which application the Employer agrees to continue to support while you are employed by the Employer.

(l) **Arbitration.** All disputes relating to your employment (or its termination), including disputes relating to your employment and this Agreement, shall be resolved by final and binding arbitration in accordance with this Section. The arbitration will be conducted by an impartial arbitrator experienced in employment law selected from the JAMS panel of arbitrators in accordance with JAMS then-current employment arbitration rules (except as otherwise provided in this Section). You understand that the Employer and you are waiving the right to institute a court action, except for requests for injunctive relief pending arbitration, and understand that the Employer and you are giving up any right to a jury trial. The Arbitrator's award and opinion shall be in writing and in the form typically rendered in labor and employment arbitrations.

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The Employer will pay any filing fee and the fees and costs of the arbitrator, unless you initiate the claim, in which case you only will be required to contribute an amount equal to the filing fee for a claim initiated in a court of general jurisdiction in the State of California. The arbitrator shall award attorneys' fees and costs to the prevailing party, unless prohibited by applicable law. This arbitration obligation shall not prohibit the Employer or you from filing a claim with an administrative agency, nor does it apply to claims for workers' compensation or unemployment benefits, or claims for benefits under an employee welfare or pension plan that specifies a different dispute resolution procedure. The arbitration shall take place in Santa Monica, California or the city in which you were last employed by the Employer, unless the Employer and you agree otherwise.

(m) **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under existing or future laws effective during the Term, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never

comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal and enforceable.

(n) **Services Unique.** You recognize that the services being performed by you under this Agreement are of a special, unique, unusual, extraordinary and intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated for in damages in the event of a breach of the provisions of Section 8 of this Agreement by you.

(o) **Injunctive Relief.** In the event of a breach of or threatened breach of the provisions of this Agreement regarding the exclusivity of your services and the provisions of Sections 8 of this Agreement, you agree that any remedy of law would be inadequate. Accordingly, you agree that the Employer is entitled to obtain injunctive relief for such breaches or threatened breaches. The injunctive relief provided for in this Section 12(o) is in addition to, and is not in limitation of, any and all other remedies at law or in equity otherwise available to the applicable party. The parties agree to waive the requirement of posting a bond in connection with a court or arbitrator's issuance of an injunction.

(p) **Subsequent Employment.** You shall receive the payments and benefits under Section 11 (other than payment of the Basic Severance) only for the time period that you do not obtain subsequent employment and/or provide services of any kind in a full-time, managerial position, whether as principal, owner, partner, agent, shareholder, director, employee, consultant, advisor or otherwise, to any person, company, venture or other person or business entity; provided, however, that this Section 12(p) shall not apply to employment pursuant to the Vivendi Employment Agreement. If, at any time, you obtain subsequent employment or provide services as set forth in the prior sentence, payments and benefits under Section 11 shall cease immediately.

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(q) **Remedies Cumulative.** The remedies in this Agreement are not exclusive, and the parties shall have the right to pursue any other legal or equitable remedies to enforce the terms of this Agreement.

(r) **Headings.** The headings set forth herein are included solely for the purpose of identification and shall not be used for the purpose of construing the meaning of the provisions of this Agreement.

(s) **Section 409A.**

- (i) If any amounts that become due under this Agreement constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, payment of such amounts shall not commence until you incur a "Separation from Service" (as defined below).
- (ii) Notwithstanding anything herein to the contrary, if you are a "Specified Employee," for purposes of Section 409A of the Code, on the date on which you incur a Separation from Service, any payment hereunder that provides for the "deferral of compensation" within the meaning of Section 409A of the Code shall not be paid or commence to be paid on any date prior to the first business day after the date that is six months following your "Separation from Service" (the "**409A Suspension Period**"); provided, however, that a payment delayed pursuant to the preceding clause shall commence earlier in the event of your death prior to the end of the six-month period. Within 14 calendar days after the end of the 409A Suspension Period, you shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence. Thereafter, you shall receive any remaining benefits as if there had not been an earlier delay.
- (iii) For purposes of this Agreement, "**Separation from Service**" shall have the meaning set forth in Section 409A(a)(2)(i)(A) of the Code and determined in accordance with the default rules under Section 409A of the Code. "**Specified Employee**" shall have the meaning set forth in Section 409A (a) (2)(B)(1) of the Code, as determined in accordance with the uniform methodology and procedures adopted by the Employer and then in effect.
- (iv) Anything in this Agreement to the contrary notwithstanding, no reimbursement payable to you pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Activision Group covered by this Agreement shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, except to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A of the Code. No amount reimbursed during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year.

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- (v) The provisions of this Agreement are intended to satisfy the applicable requirements of Section 409A of the Code with respect to amounts subject thereto and shall be performed, interpreted and construed consistent with such intent. If any provision of this Agreement does not satisfy such requirements or could otherwise cause you to recognize income under Section 409A of the Code, you and the Employer agree to negotiate in good faith an appropriate modification to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code or otherwise causing the recognition of income thereunder.

(t) **Section 280G.** Notwithstanding anything herein to the contrary, in the event that you receive any payments or distributions, whether payable, distributed or distributable pursuant to the terms of this Agreement or otherwise, that constitute "parachute payments" within the meaning of Section 280G of the Code, and the net after-tax amount of the parachute payment is less than the net after-tax amount if the aggregate payment to be made to you were three times your "base amount" (as defined in Section 280G(b)(3) of the Code), less \$1.00, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times your base amount, less \$1.00. The determinations to be made with respect to this Section 12(s) shall be made by a certified public accounting firm designated by the Employer.

(u) **Survivability.** The provisions of Sections 2(c), 2(g), 8, 12(l), 12(m), 12(o), 12(p) and 12(s) shall survive the termination or expiration of this Agreement.

(v) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(w) **Legal Counsel.** You acknowledge that you have been given the opportunity to consult with legal counsel or any other advisor of your own choosing regarding this Agreement. You understand and agree that any attorney retained by the Employer or Vivendi or any member of management who has discussed any term or condition of this Agreement with him or with you is only acting on behalf of the Employer or Vivendi and not on your behalf.

(x) **Right to Negotiate.** You hereby acknowledge that you have been given the opportunity to participate in the negotiation of the terms of this Agreement. You acknowledge and confirm that you have read this Agreement and fully understand its terms and contents.

13. Notices

All notices which either party is required or may desire to give the other shall be in writing and given either personally or by depositing the same in the United States mail addressed to the party to be given notice as follows:

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To the Employer:	Activision Blizzard, Inc. 3100 Ocean Park Boulevard Santa Monica, California 90405 Attention: Chief Executive Officer
To You:	at the most recent address on file with the Employer

Either party may by written notice designate a different address for giving of notices. The date of mailing of any such notices shall be deemed to be the date on which such notice is given.

[signature page follows]

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ACCEPTED AND AGREED TO:

Employer

Employee

ACTIVISION-BLIZZARD, INC.

By: /s/ George L. Rose
August 5, 2008

/s/ Jean-François Grollemund
Jean-François Grollemund

[signature page to Grollemund Employment Agreement]

Exhibit A

ACTIVISION PUBLISHING, INC.

EMPLOYEE PROPRIETARY INFORMATION AGREEMENT

In consideration of and as a condition of my employment by ACTIVISION PUBLISHING, INC. and/or by companies which it owns, controls, or is affiliated with, and their successors in business (the "Company"), and the compensation now and hereafter paid to me for such employment, I hereby agree as follows:

1. CONFIDENTIALITY. I agree to hold in strictest confidence and not to disclose, make any use of, except for the benefit of the Company, lecture upon or publish, at any time either during the term of or subsequent to my employment, any of the Company's Proprietary Information (as defined below) which I may produce, obtain or otherwise acquire during the course of my employment, except as the Company may otherwise consent to in writing in its sole and absolute discretion. I further agree not to deliver, reproduce or in any way allow such Proprietary Information, or any documentation relating to such information, to be delivered or used by any third parties without the specific written direction or consent of a duly authorized representative of the Company.

The term "Proprietary Information" shall mean any and all trade secrets, confidential knowledge, data or any other proprietary information pertaining to any business of the Company or any of its clients, customers or consultants, licensees or affiliates. By way of illustration but not limitation, "Proprietary Information" includes (a) inventions, ideas, improvements, discoveries, trade secrets, processes, data, programs, knowledge, know-how, designs, techniques, formulas, test data, computer code, other works of authorship and designs whether or not patentable, copyrightable, or otherwise protected by law, and whether or not conceived of or prepared by me, either alone or jointly with others (hereinafter collectively referred to as "Inventions"); (b) information regarding research, development, new products and services, marketing plans and strategies, merchandising and selling, business plans, strategies, forecasts, projections, profits, investments, operations, financings, records, budgets and unpublished financial statements, licenses, prices and costs, and suppliers, customers, clients, consultants, contractors, licensors, agents, partners and other persons with business relationships with Company (including, but not limited to, contact information and lists); (c) identity, requirements, preferences, practices and methods of doing business of specific parties with whom the Company transacts business, and information regarding the skills and compensation of other employees of the Company and independent contractors performing services for the Company.

2. THIRD PARTY INFORMATION. I understand that the Company, from time to time, may enter into agreements with other parties which impose obligations or restrictions on the Company regarding Inventions made during the course of the work under such agreements or regarding the confidential nature of such works, or otherwise receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I agree to be bound by all such obligations and restrictions, will hold Third Party Information in the strictest confidence, will not disclose (to anyone other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third

3. WORK FOR HIRE STATEMENT. I hereby acknowledge and agree that all original works of authorship (the "Works of Authorship") which are produced, developed or authored by me (whether alone or jointly with others), or otherwise resulting from my work within the scope of my employment with the Company and which are protectible by copyright are "works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C., Section 101). In the event that any rights to the Works of Authorship are deemed not to be works made for hire, or in the event that I should, by operation of law, be deemed to retain any rights in such Works of Authorship, I hereby irrevocably assign, without any further consideration and regardless of any use by the Company of any such Work of Authorship, all of my rights, title and interest, if any, in and to such Works of Authorship to the Company. I agree that the Company, as the owner of all rights to the Works of Authorship, has the full and complete right to prepare and create derivative works based upon the Works of Authorship and any derivative works of such Works of Authorship and to use, reproduce, publish, print, copy, market, advertise, distribute, transfer, sell, publicly perform and publicly display, and otherwise exploit by all means now known or later developed, such Works of Authorship and derivative works anywhere throughout the world.

4. MORAL RIGHTS. I hereby irrevocably and unconditionally transfer and assign to the Company, without any further consideration, any and all Moral Rights (as defined below) I may have in or with respect to any and all Works of Authorship. To the extent that I cannot assign such rights, I hereby waive and agree never to assign such rights against the Company, the Company's successors-in-interest, or any of their licensees. "Moral Rights" shall mean any right to (i) divulge such Inventions to the public; (ii) retract such Invention from the public; (iii) claim authorship of such Invention; (iv) object to any distortion, mutilation, or other modification of such Invention; and (v) any and all similar rights, existing under judicial or statutory law of any country or jurisdiction in the world, or under any treaty regardless of whether or not such right is called or generally referred to as a "moral right."

5. ASSIGNMENT OF INVENTIONS.

(a) In addition to the foregoing, I hereby assign and transfer to the Company my entire right, title and interest in and to all Inventions, whether or not patentable, and whether or not reduced to practice, made, learned or conceived by me (whether alone or jointly with others) during the period of my employment with the Company which relate in any manner at the time of conception to the actual or demonstrably anticipated research or product development by the Company or to its business, or result from or are suggested by any task assigned to me or any work performed by me for or on behalf of the Company. I agree that all such Inventions shall be the sole and exclusive property of the Company and its assigns, and the Company and its assigns shall be the sole owners of all Inventions and any and all patents, copyrights and other proprietary rights related thereto; provided, however, that I hereby acknowledge and agree that this Agreement does not require assignments of an Invention which qualifies fully and expressly for protection under Section 2870 of the California Labor Code.

(b) If I have any right or rights to Inventions that cannot be assigned to the Company or waived by me, I unconditionally grant to the Company during the term of such rights, an exclusive, irrevocable, perpetual, worldwide, fully paid and royalty-free license, with rights to sublicense through multiple levels of sublicenses, to use, reproduce, publish, create derivative works of, market, advertise, distribute, sell, publicly perform and publicly display and otherwise exploit by all means now known or later developed, such Inventions.

6. DISCLOSURE OF INVENTIONS; PATENTS. I agree that in connection with any Invention:

(a) I will disclose such Invention promptly in writing to my immediate supervisor at the Company, with a copy to the Company's then acting Chief Operating Officer, regardless of whether I believe the invention is protected by Section 2870 of the California Labor Code, in order to permit the Company to claim rights to which it may be entitled under this Agreement. Such disclosure shall be received in confidence by the Company.

(b) I will, at the Company's request, promptly execute a written assignment of title to the Company for any Invention required to be assigned by Paragraph 4 ("Assignable Invention") and I will preserve any such Assignable Invention as confidential information of the Company.

(c) Upon request, I agree to assist the Company or its nominee (at its expense) during and at any time subsequent to my employment in every reasonable way to obtain for its own benefit patents and copyrights for such Assignable Inventions in any and all countries, which Inventions shall be and remain the sole and exclusive property of the Company or its nominee whether or not patented or copyrighted. I agree to execute such papers and perform such lawful acts as the Company deems to be necessary to allow it to exercise all rights and interest in such patents and copyrights.

7. EXECUTION OF DOCUMENTS.

(a) In connection with this Agreement, I further agree to execute, acknowledge and deliver to the Company or its nominee upon request and at its expense all such documents, including application for patents and copyrights and assignments of inventions, patents and copyrights to be issued therefor, as the Company may determine necessary or desirable to apply for, and obtain letters, patents and copyrights on such assignable invention in any and all countries and/or to protect the interest of the Company or its nominee in such inventions, patents or copyrights and to vest title thereto in the Company or its nominee.

(b) In the event the Company is unable, after reasonable efforts, to secure my signature on any document or documents needed to apply for or prosecute any patent, copyright or other right of protection relating to an Invention, whether because of my physical or mental incapacity or for any other reason whatsoever, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and in my behalf and stead to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights or similar protections thereon with the same legal force and effect as if executed by me; it is being expressly understood and intended by me that the grant of the foregoing irrevocable power of attorney is coupled with an interest.

8. MAINTENANCE OF RECORDS. I agree to keep and maintain adequate and current written records of all inventions made by me (in the form of notes, sketches, and drawings as may be specified by the Company), which records shall be available to and remain the sole property of the Company at all times.

9. PRIOR INVENTIONS. It is understood that all Inventions, if any, patented or unpatented, which are made by me prior to my employment by the Company, are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on Exhibit A attached to this Agreement a complete list of all my prior Inventions, including those which are the property of a previous employer. I represent and covenant that the list is complete and that, if no items are on the list, I have no such prior Inventions. I agree to notify the Company in writing before I make any disclosure or perform any work on behalf of the Company which appears to threaten or conflict with proprietary rights I claim in any Invention or idea. In the event of my

failure to give such notice, I agree that I will make no claim against the Company with respect to such Inventions or ideas.

10. RETURN OF COMPANY PROPERTY. I acknowledge and agree that all files, accounts, records, materials, documents, drawings, sketches, designs, diagrams, models, blue-prints, plans, specifications, manuals, books, forms, receipts, notes, reports, memoranda, studies, data, calculations, recordings, catalogues, compilations of information, correspondence and all copies, abstracts and summaries of the foregoing, instruments, tools and equipment and all other physical items related to the Company or to my employment with the Company, other than merely personal items, whether of a public nature or not, and whether prepared by me or not, are and shall remain the sole and exclusive property of the Company and shall not be removed from the premises of the Company, except as required in the course of employment by the Company, without prior written consent of the Company in each instance. In the event of termination of my employment with the Company for any reason whatsoever, I agree to promptly surrender and deliver to the Company all of the foregoing property, and I will not take with me any description containing or pertaining to any Proprietary Information which I may produce or obtain during the course of my employment. I agree to sign and deliver the "Termination Certification" attached to this Agreement as Exhibit B.

11. TRADE SECRETS OF OTHERS. I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence Proprietary Information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Company, and during my employment by the Company, I will not improperly use or disclose to the Company, or induce the Company to use, any confidential or proprietary information or material belonging to any previous employer or other parties. I have not brought and will not bring onto the premises of the Company or use in the performance of my responsibilities at the Company any unpublished documents or any property belonging to any previous employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that previous employer or person. I agree not to enter into any agreement either written or oral in conflict with this Agreement.

12. CONFLICTING EMPLOYMENT. I agree that during my employment with the Company, I will not engage in any other employment, occupation, consulting or other activity relating to the business in which the Company is engaged, or which would otherwise conflict with my obligations to the Company.

13. NON-SOLICITATION. Throughout my employment by the Company and for a period of one (1) year from the termination or expiration of my employment for any reason whatsoever, I agree not to, either alone or jointly, with or on behalf of others, directly or indirectly, whether as principal, partner, agent, shareholder, director, employee, consultant or otherwise: (a) offer employment to, or directly or indirectly solicit the employment or engagement of, or otherwise induce or entice away from the employment or engagement of Company or any affiliated entity, either for my own account or for any other person, firm or company, any employee or consultant who was employed or engaged by Company or any such affiliated entity during the term of my employment, whether or not such employee or consultant would commit any breach of his or her contract of employment or consulting arrangement by reason of his or her leaving the service of Company or any affiliated entity; or (b) directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, partner or other business relationship of Company to terminate, discontinue, renegotiate or otherwise cease or modify their relationship with Company. I expressly acknowledge and agree that the restrictions contained in this paragraph are reasonably tailored to protect Company's confidential information and trade secrets, and are reasonable in all circumstances in scope, duration and all other respects. It is expressly agreed by the parties that if for any reason whatsoever any one or more of such restrictions shall (either taken by itself or

themselves together) be adjudged to go beyond what is reasonable in all circumstances for the protection of the legitimate interests of Company, the parties agree that the prohibitions shall be in effect and upheld to the fullest extent permissible under applicable laws.

14. ENFORCEMENT.

(a) I understand and agree that in the event of a prospective or actual breach of this Agreement by me, damages would not be an adequate remedy to compensate the Company for the losses suffered as a result of such breach. Accordingly, in addition to all other rights and remedies the Company has at law or in equity, in the event of a threatened or actual breach of any of the terms and provisions of this Agreement, the Company shall be entitled to a temporary restraining order, and to temporary and permanent injunctive relief, to prevent or terminate such anticipated or actual breach, without the necessity of proving actual damages or being required to post any bond or other undertaking in connection with any such action, provided that nothing in this Agreement shall be construed to limit the damages otherwise recoverable by the Company in any such event.

(b) In addition, the Company shall have the right to inform any person, company, organization or business entity, and the principals of the foregoing, and any other third parties that the Company reasonably believes to be receiving or intending to receive from me any Proprietary Information in violation of the terms of this Agreement, that participation by such entity or persons with me in activities in violation of this Agreement may give rise to claims by Activision against such entity, persons or third parties.

15. PURPOSE AND INTENT. I acknowledge and agree that this Agreement does not constitute an agreement of employment and that nothing in this Agreement shall confer any right upon me with respect to my employment by the Company, including, without limitation continuation of such employment.

16. REPRESENTATIONS. I represent and warrant to the Company that:

(a) This Agreement does not constitute a violation of any other agreement to which I am a party and it has been executed and delivered by me after having an opportunity to consult with my legal and other professional counsel and advisors.

(b) I have full power and authority to enter into, and have obtained all necessary authorizations and approvals required for the execution and deliver of, this Agreement.

(c) I have taken all necessary actions to execute and deliver this Agreement, and this Agreement constitutes my valid and binding agreement, enforceable in accordance with its terms.

17. MODIFICATION. This Agreement may not be changed, modified, released, discharged, abandoned, or otherwise amended, in whole or in part, except by an instrument in writing, signed by me and the Company. I agree that any subsequent change or changes in duties, salary, or compensation shall not affect the validity of this Agreement.

18. **ENTIRE AGREEMENT.** I acknowledge receipt of this Agreement, and agree that with respect to the subject matter of this Agreement it is my entire agreement with the Company, superseding any previous written communications, representations, understandings or agreements with the Company or any of its officers or representatives.

19. **SEVERABILITY.** The provisions of this Agreement are severable and if any one or more provisions may be determined to be unenforceable, in whole or in part, the remaining

provisions, and any partially unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

20. **SUCCESSORS AND ASSIGNS.** This Agreement shall be binding upon my heirs, executors, administrators and other legal representatives and is for the benefit of the Company, its successors and assigns.

21. **GOVERNING LAW.** This Agreement has been executed and delivered by the parties hereto in California, and shall be governed by and construed in accordance with the internal laws (and not laws pertaining to conflicts or choice of law) of the State of California in all respects, including all matters of validity, construction and performance of this Agreement. All parties consent to the exercise of personal jurisdiction over them in California and agree that any lawsuit or arbitration arising out of or relating to this Agreement shall be brought exclusively in a court of competent subject matter jurisdiction located within the County of Los Angeles, State of California.

22. **COUNTERPARTS.** This Agreement may be signed in two counterparts, each of which shall be deemed an original and both of which shall together constitute one agreement.

23. **FAILURE TO ENFORCE.** The failure of the Company to enforce any threatened or existing violation, default or breach of this Agreement shall not be deemed a waiver of such a violation, default or breach, and the Company shall have the right to enforce the same at a later time and the right to waive in writing any condition imposed herein for its benefit without thereby waiving any other provision or condition.

ACTIVISION PUBLISHING, INC.

By: _____

Name: Greg Deutsch

Title: Vice President, Business and Legal Affairs

Date: _____

Accepted and Agreed:

By: _____
Employee Signature

Employee Name (Please Print)

Title: _____
Employee Job Title

Date: _____

Witness

EXHIBIT A

LIST OF PRIOR INVENTIONS

TITLE	DATE	IDENTIFYING NUMBER OR DESCRIPTION

EXHIBIT B

TERMINATION CERTIFICATION

This is to certify that I do not have in my possession, nor have I failed to return, any records, documents, data, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals or copies of them, or other documents or materials, equipment, or other property belonging to ACTIVISION and/or companies it owns, controls, or is affiliated with, or their successors and assigns ("Company").

I further certify that I have complied with and will continue to comply with all terms of the Employee Proprietary Information Agreement signed by me with the Company.

I further agree that in compliance with the Employee Proprietary Information Agreement, I will preserve as confidential all Confidential Information of the Company of any its clients, customers, consultants, licensees or affiliates.

Employee Signature

Date

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision Blizzard, Inc. (the "Company"), as follows:

- Your name: **Jean-François Grollemund**
- Total number of Restricted Share Units awarded: **6,000**
- Date of Grant: **July 21, 2008**
- Grant ID: **07001026**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
 - this Notice of Restricted Share Unit Award;
 - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's 2007 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.
 - *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in equal installments of 250 Shares on the 9th day of each month in the 24 months following the Date of Grant commencing with August 9, 2008, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each vesting date.
- ***Please sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Restricted Share Unit Award to the Company at:***

Activision Blizzard, Inc.
 3100 Ocean Park Boulevard
 Santa Monica, CA 90405
 Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser
 Ann E. Weiser
 Chief Human Resources Officer

Date: September 29, 2008

ACCEPTED AND AGREED:

/s/ Jean François Grollemund
 Jean François Grollemund

Date: October 2, 2008

EXHIBIT A

ACTIVISION BLIZZARD, INC.

2007 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

“**Award**” means the award described on the Grant Notice.

“**Cause**” has the meaning given to such term in the Employment Agreement.

“**Common Shares**” means the shares of common stock, par value \$0.000001 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 hereof.

“**Company**” means Activision Blizzard, Inc. and any successor thereto.

“**Company-Sponsored Equity Account**” means an account that is created with the Equity Account Administrator in connection with the administration of the Company’s equity plans and programs, including the Plan.

“**Date of Grant**” means the Date of Grant of the Award set forth on the Grant Notice.

“**Disability**” has the meaning given to such term in the Employment Agreement.

“**Employment Agreement**” means the employment agreement, dated July 16, 2008, between the Grantee and the Company.

“**Employment Violation**” means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

“**Equity Account Administrator**” means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company’s equity plans and programs, including the Plan.

“**Good Reason**” has the meaning given to such term in the Employment Agreement.

“**Grantee**” means the recipient of the Award named on the Grant Notice.

“**Grant Notice**” means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

“**Look-back Period**” means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

“**Plan**” means the Activision, Inc. 2007 Incentive Plan, as amended from time to time.

“**Recapture Amount**” means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

- (i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus
- (ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 12 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Vested Shares**” means Common Shares to which the holder of the Restricted Share Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

“**Withholding Taxes**” means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the “Schedule for Vesting” set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment.

(a) Cause. In the event that the Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment any Restricted Share Units shall cease to vest and any Restricted Share Units and any Vested Shares that have yet to settle pursuant to Section 7 hereof shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) Without Good Reason. In the event that the Grantee's employment is terminated by the Grantee without Good Reason, as of the date of such termination of employment the Restricted Share Units shall cease to vest and shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) Death or Disability. In the event that the Grantee dies while employed by the Company or any of its subsidiaries or affiliates or the Grantee's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, as of the date of Grantee's death or the first date of Grantee's Disability, as the case may be, any Restricted Share Units shall immediately vest.

(d) Without Cause, For Good Reason, or Upon Expiration of Term. In the event that the Grantee's employment with the Company and its subsidiaries and affiliates is terminated (i) by the Company or any of its subsidiaries or affiliates without Cause or (ii) by the Grantee for Good Reason, as of the date of such termination of employment any Restricted Share Units shall immediately vest.

(e) Other. Unless the Committee determines otherwise, in the event that Grantee's employment is terminated for any reason not addressed by Sections 3(a), 3(b), 3(c) or 3(d) hereof, as of the date of such termination of employment all Restricted Share Units shall cease to vest and shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) with the Company's consent, through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company

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or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the fiscal year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. Except as set forth in Section 3(a), as soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. Subject to the terms of the Plan, the Committee may amend the terms of the Award prospectively or retroactively; however, no such amendment may materially and adversely affect the rights of Grantee taken as a whole without Grantee's consent. Without intending to limit the generality or effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements

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of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Restricted Share Units for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the

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Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

12. Employment Violation. The terms of this Section 12 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any Restricted Share Units and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A of the Code, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A of the Code and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

(b) Neither Grantee nor any of Grantee's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable with respect to the Award to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to Grantee or for Grantee's benefit with respect to the Award may not be reduced by, or offset against, any amount owing by Grantee to the Company.

(c) Notwithstanding anything to the contrary contained herein, if (i) the Committee determines in good faith that the Restricted Share Units do not qualify for the "short-term deferral exception" under Section 409A of the Code, (ii) Grantee is a "specified employee" (as defined in Section 409A of the Code) and (iii) a delay in the issuance or transfer of Vested

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Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A of the Code but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death.

14. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

16. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

17. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of laws thereof.

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19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

20. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

21. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

22. Deemed Agreement. By accepting the Award, Grantee is deemed to be bound by the terms and conditions set forth in the Plan, the Grant Notice and these Award Terms.

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CERTIFICATION

I, Robert A. Kotick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting: and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ Robert A. Kotick
Robert A. Kotick
Chief Executive Officer
Activision Blizzard, Inc.

CERTIFICATION

I, Thomas Tippl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting: and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ Thomas Tippl
Thomas Tippl
Chief Financial Officer,
Principal Financial and Accounting
Officer of Activision Blizzard, Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Kotick, Chief Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2008

/s/ Robert A. Kotick

Robert A. Kotick
Chief Executive Officer of
Activision Blizzard, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Tippl, Chief Financial Officer and Principal Financial and Accounting Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2008

/s/ Thomas Tippl

Thomas Tippl

Chief Financial Officer and

Principal Financial and Accounting Officer of Activision

Blizzard, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
