

**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, 2007

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 001-15839

ACTIVISION, 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated filer

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 November 1, 2007 was 291,310,208.

ACTIVISION, INC. AND SUBSIDIARIES

INDEX

[Cautionary Statement](#)

PART I. [FINANCIAL INFORMATION](#)

[Item 1.](#) [Financial Statements](#)

[Consolidated Balance Sheets as of September 30, 2007 \(Unaudited\) and March 31, 2007](#)

[Consolidated Statements of Operations for the three and six months ended September 30, 2007 \(Unaudited\) and September 30, 2006 \(Unaudited\)](#)

[Consolidated Statements of Cash Flows for the six months ended September 30, 2007 \(Unaudited\) and September 30, 2006 \(Unaudited\)](#)

[Consolidated Statement of Changes in Shareholders' Equity for the six months ended September 30, 2007 \(Unaudited\)](#)

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 3. Quantitative and Qualitative Disclosures about Market Risk](#)

[Item 4. Controls and Procedures](#)

[PART II. OTHER INFORMATION](#)

[Item 1. Legal Proceedings](#)

[Item 4. Submission of Matters to a Vote of Security Holders](#)

[Item 6. Exhibits](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[CERTIFICATIONS](#)

2

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 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, those discussed under the heading "Risk Factors", included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2007. All references to "we", "us", "our", "Activision" or "the Company" in the following discussion and analysis mean Activision, Inc. and its subsidiaries.

3

Part I. Financial Information

Item 1. Financial Statements

ACTIVISION, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In thousands, except share data)

	September 30, 2007 (Unaudited)	March 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 392,529	\$ 384,409
Short-term investments	569,231	570,440
Accounts receivable, net of allowances of \$106,619 and \$91,418 at September 30, 2007 and March 31, 2007, respectively	109,725	148,694
Inventories	189,033	91,231
Software development	104,236	107,779
Intellectual property licenses	10,645	27,784
Deferred income taxes	60,032	51,564
Other current assets	31,453	19,332
Total current assets	1,466,884	1,401,233
Software development	40,433	23,143
Intellectual property licenses	71,145	72,490
Property and equipment, net	53,500	46,540
Deferred income taxes	38,252	48,791
Other assets	10,738	6,376
Goodwill	280,248	195,374

Total assets	\$ 1,961,200	\$ 1,793,947
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 158,059	\$ 136,517
Accrued expenses and other liabilities	255,266	204,652
Total current liabilities	413,325	341,169
Other liabilities	18,325	41,246
Total liabilities	431,650	382,415
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, \$.000001 par value, 3,750,000 shares authorized, no shares issued at September 30, 2007 and March 31, 2007	—	—
Series A Junior Preferred stock, \$.000001 par value, 1,250,000 shares authorized, no shares issued at September 30, 2007 and March 31, 2007	—	—
Common stock, \$.000001 par value, 450,000,000 shares authorized, 289,072,399 and 283,310,734 shares issued and outstanding at September 30, 2007 and March 31, 2007, respectively	—	—
Additional paid-in capital	1,045,891	963,553
Retained earnings	456,301	427,777
Accumulated other comprehensive income	27,358	20,202
Total shareholders' equity	1,529,550	1,411,532
Total liabilities and shareholders' equity	\$ 1,961,200	\$ 1,793,947

The accompanying notes are an integral part of these consolidated financial statements.

4

ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	For the three months ended September 30,		For the six months ended September 30,	
	2007	2006	2007	2006
Net revenues	\$ 317,746	\$ 188,172	\$ 813,201	\$ 376,241
Costs and expenses:				
Cost of sales – product costs	151,996	127,374	369,225	235,997
Cost of sales – software royalties and amortization	38,427	9,348	116,679	28,609
Cost of sales – intellectual property licenses	14,533	4,356	47,012	14,272
Product development	33,085	25,608	65,982	51,233
Sales and marketing	51,868	32,550	120,580	68,729
General and administrative	37,382	26,346	73,176	48,260
Total costs and expenses	327,291	225,582	792,654	447,100
Operating income (loss)	(9,545)	(37,410)	20,547	(70,859)
Investment income, net	12,132	8,032	23,694	16,307
Income (loss) before income tax provision (benefit)	2,587	(29,378)	44,241	(54,552)
Income tax provision (benefit)	1,889	(5,076)	15,717	(11,941)
Net income (loss)	\$ 698	\$ (24,302)	\$ 28,524	\$ (42,611)
Basic earnings (loss) per share	\$ 0.00	\$ (0.09)	\$ 0.10	\$ (0.15)
Weighted average common shares outstanding	287,315	280,627	285,450	279,487
Diluted earnings (loss) per share	\$ 0.00	\$ (0.09)	\$ 0.09	\$ (0.15)
Weighted average common shares outstanding assuming dilution	313,263	280,627	312,510	279,487

ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the six months ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ 28,524	\$ (42,611)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income taxes	(1,327)	(70,149)
Realized gain on short-term investments	—	(2)
Depreciation and amortization	15,885	8,519
Loss on disposal of property and equipment	987	—
Amortization and write-offs of capitalized software development costs and intellectual property licenses (1)	99,560	26,283
Stock-based compensation expense (2)	15,029	10,740
Tax benefit of stock options and warrants exercised	9,199	5,888
Excess tax benefits from stock option exercises	(8,141)	(4,405)
Changes in operating assets and liabilities:		
Accounts receivable	41,784	(57,194)
Inventories	(97,802)	(5,956)
Software development and intellectual property licenses	(88,775)	(84,630)
Other assets	(10,219)	1,377
Accounts payable	21,666	(11,984)
Accrued expenses and other liabilities	20,029	54,853
Net cash provided by (used in) operating activities	46,399	(169,271)
Cash flows from investing activities:		
Capital expenditures	(15,253)	(7,540)
Proceeds from disposal of property and equipment	135	—
Cash payment to effect business combinations, net of cash acquired	(68,875)	(30,545)
Increase in restricted cash	(33,413)	(12,500)
Purchases of short-term investments	(378,727)	(147,278)
Proceeds from sales and maturities of short-term investments	414,233	180,993
Net cash used in investing activities	(81,900)	(16,870)
Cash flows from financing activities:		
Proceeds from issuance of common stock to employees	30,262	11,922
Excess tax benefit from stock option exercises	8,141	4,405
Net cash provided by financing activities	38,403	16,327
Effect of exchange rate changes on cash	5,218	5,204
Net increase (decrease) in cash and cash equivalents	8,120	(164,610)
Cash and cash equivalents at beginning of period	384,409	354,331
Cash and cash equivalents at end of period	\$ 392,529	\$ 189,721

(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.

ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months ended September 30, 2007
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Shareholders' Equity
	Shares	Amount				
Balance, March 31, 2007	283,311	\$ —	\$ 963,553	\$ 427,777	\$ 20,202	\$ 1,411,532
Components of comprehensive income:						
Net income	—	—	—	28,524	—	28,524
Unrealized appreciation on short-term investments, net of taxes	—	—	—	—	543	543
Foreign currency translation adjustment	—	—	—	—	6,613	6,613
Total comprehensive income						35,680
Issuance of common stock pursuant to employee stock options, employee stock purchase plans and employee bonuses	4,473	—	32,119	—	—	32,119
Issuance of common stock to effect business combination (see Note 4)	1,288	—	24,039	—	—	24,039
Stock based compensation expense related to employee stock options, restricted stock rights, and employee stock purchase plans	—	—	20,044	—	—	20,044
Tax benefit associated with options and warrants	—	—	9,199	—	—	9,199
Employee tender offer (see Note 13)	—	—	(3,063)	—	—	(3,063)
Balance, September 30, 2007	289,072	\$ —	\$ 1,045,891	\$ 456,301	\$ 27,358	\$ 1,529,550

The accompanying notes are an integral part of these consolidated financial statements.

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

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Activision, Inc. and its subsidiaries (“Activision” 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 Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007 as filed with the Securities and Exchange Commission (“SEC”) on June 14, 2007.

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 SFAS No. 86, “Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.” Software development costs are capitalized once 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. 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. We evaluate the future recoverability of capitalized amounts on a quarterly basis. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific products for which the costs relate. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

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, generally resulting in an amortization period of six months or less. For products that have been released in prior periods, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing 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.

Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, 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.

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

We evaluate the future recoverability of capitalized intellectual property licenses on a quarterly basis. The recoverability of capitalized intellectual property license costs is evaluated based on the expected performance of the specific products in which the licensed trademark or copyright is to be used. 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. 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. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

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. For intellectual property included in products that have been released, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

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.

Revenue Recognition

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. 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.

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 do not defer any revenue related to products containing these limited online features. In instances where online features or additional functionality is considered a substantive deliverable

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

in addition to the software product, the company contemplates such when determining the appropriate revenue recognition. This evaluation is performed for each software product when it is released. We determined that one of our software titles released this quarter, *Enemy Territory: Quake Wars* (which is primarily an online multiplayer PC game), 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. As such, our performance obligations for this title extend beyond the sale of the game, which is unique compared to other prior titles. 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 are recognizing all of the revenue from the sale of this title ratably over an estimated service period, which is estimated to be six months beginning the month after shipment. In addition, we are deferring the costs of sales for this title. Cost of sales includes: manufacturing costs, software royalties and amortization, and intellectual property licenses. Overall, online play functionality is still an emerging area for us. As we move forward, we will monitor this developing functionality and its significance for our products. Our assessment of our obligations with respect to this functionality and the resulting accounting may change in the future.

With respect to online transactions, such as electronic downloads of titles or product add-ons, 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, in order to recognize revenue for both product sales and licensing transactions, 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 the Financial Accounting Standards Board's Emerging Issues Task Force ("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 of 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.

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 sales force and retail customer feedback, industry pricing, weeks of on-hand retail channel inventory, absolute

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

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, 2007 allowance for returns and price protection would impact net revenues by \$1.0 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.

Stock-Based Compensation Expense

On April 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS No. 123R") which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases") based on estimated fair values. SFAS No. 123R supersedes our previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS No. 123R. We have applied the provisions of SAB 107 in our adoption of 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 under SFAS No. 123R for the three and six months ended September 30, 2007 was \$6.9 million and \$15.0 million, respectively and for the three and six months ended September 30, 2006 was \$4.9 million and \$10.7 million, respectively. See Note 13 for additional information.

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 six months ended September 30, 2007, included compensation expense for share-based payment awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS No. 123 and compensation expense for the share-based payment awards granted subsequent to April 1, 2006 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. For additional information, see Note 13. 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.

2. Acquisitions

Bizarre Creations

On September 26, 2007, we acquired 100% of Bizarre Creations Limited (“Bizarre Creations”) for an aggregate purchase price of \$67.4 million in cash. In addition, in the event that certain financial performance measures of Bizarre Creations’ business over a certain period of time (currently estimated to be 5 years from fiscal 2008) exceeds specified target levels, the former shareholders of Bizarre Creations will be entitled to an additional amount of up to \$40 million payable in shares of our common stock. The contingent consideration will be recorded as an addition to the purchase price if the specified target levels are met. Based in the United Kingdom (“UK”), Bizarre Creations is a video game developer focusing on the racing category with its multi-million unit selling franchise Project Gotham Racing, a series for the Microsoft Xbox (“Xbox”) and the Microsoft Xbox360 (“Xbox360”) platforms. Bizarre Creations has also developed and owns the Geometry Wars intellectual property. We expect that Bizarre Creations will play a role in our growth strategy as we develop intellectual property for the racing segment, expand our development capability and capacity for other genres and utilize Bizarre Creations’ proprietary development technology.

The results of operations of Bizarre Creations and the estimated fair market values of the acquired assets and liabilities have been included in the Consolidated Financial Statements since the date of acquisition. Pro forma consolidated statements of operations for this acquisition are not shown, as they would not differ materially from reported results. The acquired finite-lived intangible assets are being amortized over the estimated useful life in proportion to the economic benefits consumed, which for some intangible assets are approximated by using the straight-line method. Goodwill has been included in the publishing segment of our business and is amortized over 15 years for tax purposes.

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

Preliminary Purchase Price Allocation

We accounted for this acquisition in accordance with SFAS No. 141, “Business Combinations” (“SFAS No. 141”). SFAS No. 141 addresses financial accounting and reporting for business combinations, requiring that the purchase method be used to account and report for all business combinations. The purchase price for the Bizarre Creations transaction was preliminarily allocated to assets acquired and liabilities assumed as set forth below (in thousands):

Current assets	\$ 4,352
Property and equipment, net	2,203
Goodwill	55,833
Trademark, acquired contracts and other intangibles	9,500
Deferred tax liability	(1,876)
Other liabilities	(2,639)
Total consideration	<u>\$ 67,373</u>

Purchased Intangible Assets

The following table presents details of the purchased finite-lived intangible assets acquired in the Bizarre Creations acquisition (in thousands):

	Estimated Useful Life (in years)	Amount
Finite-lived intangibles:		
Trademark	8	\$ 1,100
Acquired contracts	0.5	2,800
Other intangibles	1 - 5	5,600
Total finite-lived intangibles		<u>\$ 9,500</u>

The following tables present details of our total purchased finite-lived intangible assets as of September 30, 2007 (in thousands):

	Gross	Accumulated Amortization	Net
Trademark	\$ 1,100	\$ —	\$ 1,100
Acquired contracts	2,800	—	2,800
Other intangibles	5,600	—	5,600
Total	<u>\$ 9,500</u>	<u>\$ —</u>	<u>\$ 9,500</u>

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

The estimated future amortization expense of purchased finite-lived intangible assets as of September 30, 2007 is as follows (in thousands):

Fiscal year ending March 31,	Amount
2008 (remaining six months)	\$ 3,500
2009	700
2010	1,153
2011	1,538
2012	1,538
Thereafter	1,071
Total	\$ 9,500

DemonWare

On May 11, 2007, Activision completed its acquisition of DemonWare, Ltd., a provider of network middleware technologies for console and personal computer ("PC") games headquartered in Dublin, Ireland. The acquisition is expected to enable Activision to gain efficiencies related to online game development and to position us to take advantage of the growth in online gameplay that is expected to be driven by the next-generation consoles. The acquisition is expected to be immaterial to fiscal 2008 earnings 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.

3. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Our inventories consist of the following (amounts in thousands):

	September 30, 2007	March 31, 2007
Finished goods	\$ 151,584	\$ 89,048
Purchased parts and components	37,449	2,183
	<u>\$ 189,033</u>	<u>\$ 91,231</u>

4. Goodwill

The changes in the carrying amount of goodwill for the six months ended September 30, 2007 are as follows (amounts in thousands):

	Publishing	Distribution	Total
Balance as of March 31, 2007	\$ 189,342	\$ 6,032	\$ 195,374
Goodwill acquired during the period	58,609	—	58,609
Issuance of contingent consideration	25,703	—	25,703
Adjustment-prior period purchase allocation	(127)	—	(127)
Effect of foreign currency exchange rates	474	215	689
Balance as of September 30, 2007	<u>\$ 274,001</u>	<u>\$ 6,247</u>	<u>\$ 280,248</u>

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

Goodwill acquired during the period represents goodwill of \$55.8 million and \$2.8 million related to the acquisitions of Bizarre Creations and DemonWare, respectively. See Note 2 for additional information. Issuance of contingent consideration consists of additional purchase consideration related to the acquisition of RedOctane Inc. and Vicarious Visions Inc. for \$22.6 million and \$3.1 million, respectively, which was paid in shares of our common stock. Additional contingent purchase consideration of \$3.1 million related to the acquisition of Vicarious Visions Inc. was earned on June 30, 2007 as a result of the achievement of certain sell through targets released during the second quarter of fiscal 2008. As a result, shares of our common stock with an aggregate value of \$1.4 million were issued to the former stockholders of Vicarious Visions Inc. with the remaining \$1.7 million accrued as of September 30, 2007.

5. Income Taxes

The income tax provision of \$1.9 million for the three months ended September 30, 2007 reflects our effective income tax rate for the quarter of 73.0%, and the income tax provision of \$15.7 million for the six months ended September 30, 2007 reflects our estimated effective income tax rate of 35.5% for the six months ended September 30, 2007. Due to our relatively small net income before tax provision for the three months ended September 30, 2007, small changes in discrete items resulted in a large effect on our effective income tax rate for the quarter ended September 30, 2007. The significant items that generated the variance between our effective rate for the three months ended September 30, 2007 and our statutory rate of 35% were federal and state research and development tax credits, the impact of foreign tax rate differentials, and the federal deduction for domestic production activities, partially offset by state taxes and the impact of a decrease in the tax benefit of deferred tax assets on the books of our UK affiliates due to the enactment of a decrease in the UK statutory tax rate.

The aforementioned effective income tax rate for the quarter of 73.0% differs from our effective income tax rate of 17.3% for the three months ended September 30, 2006 due to an increase in anticipated pretax income for fiscal 2008 determined at September 30, 2007 versus the anticipated pretax income for fiscal 2007 determined at September 30, 2006, without a corresponding increase in the benefit of book/tax differences, in addition to the impact of a decrease in the tax benefit of deferred tax assets on the books of our UK affiliates due to the recent enactment of a decrease in the UK statutory tax rate.

The income tax benefit of \$5.1 million for the three months ended September 30, 2006 reflects our effective income tax rate for the quarter of 17.3%, which differs from our effective tax rate of 21.9% for the year ended March 31, 2007 due to (1) an increase in the federal research and development credit for the full year ended March 31, 2007 over the amount originally anticipated for the year at September 30, 2006 due to the Congressional reinstatement of the federal R&D credit in quarter ended December 31, 2006; and (2) the elimination of the valuation allowance for research and development tax credits, partially offset by the nondeductible portion of annual cash bonuses determined in the three months ended March 31, 2007 under Section 162(m), and the establishment of tax reserves for these credits and other deferred tax assets. The significant items that generated the variance between our effective rate and our statutory rate of 35% for the three months ended September 30, 2006 were research and development tax credits for state purposes, and the impact of foreign tax rate differentials, partially offset by state taxes.

We adopted the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 48 Accounting for Uncertainty in Income Taxes (“FIN 48”) an interpretation of FASB Statement No. 109 (“SFAS 109”) on April 1, 2007. As a result of the implementation of FIN 48, we recognized no material adjustment in the liability for unrecognized income tax benefits. At the adoption date of April 1, 2007, we had \$65.5 million of unrecognized tax benefits, of which \$26.2 million would affect our effective tax rate if recognized. The liability for unrecognized tax benefits was unchanged during the three months ended September 30, 2007.

In addition, consistent with the provisions of FIN 48, we reclassified \$15.6 million of income tax liabilities from current to non-current liabilities because payment of cash is not anticipated within one year of the

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

balance sheet date. These non-current income tax liabilities are recorded in Other Liabilities in the Consolidated Balance Sheets.

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of April 1, 2007, we had approximately \$296,000 of accrued interest related to uncertain tax positions. There were no material changes to the accrued interest expense related to estimated obligations for unrecognized tax benefits net of federal benefit during the three months ended September 30, 2007.

The tax years 2002 through 2007 remain open to examination by the major taxing jurisdictions to which we are subject, including U.S. and non-U.S. locations. We are currently under audit by the Internal Revenue Service and the California Franchise Tax Board, and it is possible that the current portion of our unrecognized tax benefits will significantly decrease within the next twelve months.

6. Software Development Costs and Intellectual Property Licenses

As of September 30, 2007, capitalized software development costs included \$102.5 million of internally developed software costs and \$42.2 million of payments made to third-party software developers. As of March 31, 2007, capitalized software development costs included \$94.3 million of internally developed software costs and \$36.6 million of payments made to third-party software developers. Capitalized intellectual property licenses were \$81.8 million and \$100.3 million as of September 30, 2007 and March 31, 2007, respectively. Amortization and write-offs of capitalized software development costs and intellectual property licenses were \$101.7 million and \$26.3 million for the six months ended September 30, 2007 and 2006, respectively.

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

Comprehensive Income (Loss)

The components of comprehensive income (loss) for the three and six months ended September 30, 2007 and 2006 were as follows (amounts in thousands):

	<u>Three months ended September 30,</u>		<u>Six months ended September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income (loss)	\$ 698	\$ (24,302)	\$ 28,524	\$ (42,611)
Other comprehensive income (loss):				
Foreign currency translation adjustment	3,891	2,663	6,613	6,241
Unrealized appreciation (depreciation) on short-term investments, net of taxes	950	8,447	543	(10,035)
Other comprehensive income (loss)	4,841	11,110	7,156	(3,794)
Comprehensive income (loss)	\$ 5,539	\$ (13,192)	\$ 35,680	\$ (46,405)

Accumulated Other Comprehensive Income (Loss)

For the six months ended September 30, 2007 the components of accumulated other comprehensive income (loss) were as follows (amounts in thousands):

	<u>Foreign Currency</u>	<u>Unrealized Appreciation (Depreciation) on Investments</u>	<u>Accumulated Other Comprehensive Income</u>
Balance, March 31, 2007	\$ 21,070	\$ (868)	\$ 20,202
Other comprehensive income	6,613	543	7,156
Balance, September 30, 2007	<u>\$ 27,683</u>	<u>\$ (325)</u>	<u>\$ 27,358</u>

Other comprehensive income is presented net of tax benefits of \$0.3 million related to unrealized appreciation on the Company's investments for the six months ended September 30, 2007. Income taxes were not provided for foreign currency translation items as these are considered indefinite investments in non-U.S. subsidiaries.

8. Investment Income, Net

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

	<u>Three months ended September 30,</u>		<u>Six months ended September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Interest income	\$ 12,169	\$ 8,013	\$ 23,755	\$ 16,369
Interest expense	(37)	19	(61)	(64)
Net realized gain on investments	—	—	—	2
Investment income, net	<u>\$ 12,132</u>	<u>\$ 8,032</u>	<u>\$ 23,694</u>	<u>\$ 16,307</u>

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

9. Supplemental Cash Flow Information

Non-cash investing and financing activities and supplemental cash flow information is as follows (amounts in thousands):

	<u>Six months ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Non-cash investing and financing activities:		
Subsidiaries acquired with common stock	\$ —	\$ 30,000
Change in unrealized appreciation (depreciation) on short-term investments, net of taxes	543	(10,035)
Common stock issued related to acquisition	24,039	—
Common stock issuable related to acquisition	—	39,000
Common stock issued related to employee bonuses	1,857	—
Adjustment - prior period purchase allocation	(127)	46
Supplemental cash flow information:		
Cash paid for income taxes	\$ 2,806	\$ 5,456
Cash paid for interest	42	63

10. Operations by Reportable Segments and Geographic Area

Based upon our organizational structure, we operate two business segments: (i) publishing of interactive entertainment software and peripherals and (ii) distribution of interactive entertainment software and hardware products.

Publishing refers to the development, marketing and sale of products, either directly, by license or through our affiliate label program with certain third-party publishers. In the United States and Canada, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. We conduct our international publishing activities through offices in the United Kingdom ("UK"), Germany, France, Italy, Spain, Australia, Sweden, the Netherlands, Canada, South Korea, and Japan where products are sold on a direct-to-retail basis and through third-party distribution and licensing arrangements and through our wholly owned distribution subsidiaries.

Distribution refers to our operations in the UK, the Netherlands, and Germany that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations and manufacturers of interactive entertainment hardware.

Resources are allocated to each of these segments using information on their respective net revenues and operating profits before interest and taxes.

The accounting policies of these segments are the same as those described in the "Summary of Significant Accounting Policies" in our Annual Report on Form 10-K for the year ended March 31, 2007. Revenue derived from sales between segments is eliminated in consolidation.

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

Information on the reportable segments for the three and six months ended September 30, 2007 and 2006 is as follows (amounts in thousands):

	Three months ended September 30, 2007		
	Publishing	Distribution	Total
Total segment revenues	\$ 253,759	\$ 63,987	\$ 317,746
Revenues from sales between segments	(20,509)	20,509	—
Revenues from external customers	\$ 233,250	\$ 84,496	\$ 317,746
Operating income (loss)	\$ (9,667)	\$ 122	\$ (9,545)
Total assets	\$ 1,808,494	\$ 152,706	\$ 1,961,200
	Three months ended September 30, 2006		
	Publishing	Distribution	Total
Total segment revenues	\$ 125,404	\$ 62,768	\$ 188,172
Revenues from sales between segments	(12,922)	12,922	—
Revenues from external customers	\$ 112,482	\$ 75,690	\$ 188,172
Operating loss	\$ (36,607)	\$ (803)	\$ (37,410)
Total assets	\$ 1,429,824	\$ 103,205	\$ 1,533,029
	Six months ended September 30, 2007		
	Publishing	Distribution	Total
Total segment revenues	\$ 682,981	\$ 130,220	\$ 813,201
Revenues from sales between segments	(43,356)	43,356	—
Revenues from external customers	\$ 639,625	\$ 173,576	\$ 813,201
Operating income	\$ 19,449	\$ 1,098	\$ 20,547
Total assets	\$ 1,808,494	\$ 152,706	\$ 1,961,200

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

	Six months ended September 30, 2006		
	Publishing	Distribution	Total
Total segment revenues	\$ 260,166	\$ 116,075	\$ 376,241
Revenues from sales between segments	(19,352)	19,352	—
Revenues from external customers	\$ 240,814	\$ 135,427	\$ 376,241
Operating loss	\$ (68,125)	\$ (2,734)	\$ (70,859)
Total assets	\$ 1,429,824	\$ 103,205	\$ 1,533,029

Geographic information for the three and six months ended September 30, 2007 and 2006 is based on the location of the selling entity. Revenues from external customers by geographic region were as follows (amounts in thousands):

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
North America	\$ 161,804	\$ 74,249	\$ 471,340	\$ 173,863
Europe	146,525	107,775	316,539	189,588
Other	9,417	6,148	25,322	12,790
Total	\$ 317,746	\$ 188,172	\$ 813,201	\$ 376,241

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

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
Console	\$ 240,484	\$ 117,473	\$ 642,358	\$ 236,450
Hand-held	57,740	46,574	133,472	91,371
PC	19,522	24,125	37,371	48,420
Total	\$ 317,746	\$ 188,172	\$ 813,201	\$ 376,241

We had two customers that accounted for 14% and 9% of consolidated net revenues for the three months ended September 30, 2007, respectively and 18% and 13% of consolidated net revenues for the six months ended September 30, 2007, respectively. These customers accounted for 13% and 5% of consolidated accounts receivable, gross at September 30, 2007, respectively. These customers were customers of both our publishing and distribution businesses. We had one customer that accounted for 23% and 25% of consolidated net revenues for the three and six month periods ended September 30, 2006, respectively, and 19% of consolidated gross accounts receivable at September 30, 2006. This customer was a customer of both our publishing and distribution businesses.

20

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

11. Computation of Earnings (Loss) Per Share

The following table sets forth the computations of basic and diluted earnings (loss) per share (amounts in thousands, except per share data):

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
Numerator:				
Numerator for basic and diluted earnings (loss) per share – income (loss) available to common shareholders	\$ 698	\$ (24,302)	\$ 28,524	\$ (42,611)
Denominator:				
Denominator for basic earnings (loss) per share - weighted-average common shares outstanding	287,315	280,627	285,450	279,487
Effect of dilutive securities:				
Employee stock options, employee stock purchase plans, and restricted stock units	23,223	—	23,709	—
Warrants to purchase common stock and other dilutive common stock equivalents	2,725	—	3,351	—
Potential dilutive common shares	25,948	—	27,060	—
Denominator for diluted earnings (loss) per share – weighted-average common shares outstanding assuming dilution	313,263	280,627	312,510	279,487
Basic earnings (loss) per share	\$ 0.00	\$ (0.09)	\$ 0.10	\$ (0.15)
Diluted earnings (loss) per share	\$ 0.00	\$ (0.09)	\$ 0.09	\$ (0.15)

Options and restricted stock units to purchase 7.0 million and 34.5 million shares of our common stock for the three months ended September 30, 2007 and 2006, respectively, were not included in the calculations of diluted earnings per share because their effect would be antidilutive.

Options and restricted stock units to purchase 4.1 million and 34.0 million shares of our common stock for the six months ended September 30, 2007 and 2006, respectively, were not included in the calculations of diluted earnings per share because their effect would be antidilutive.

21

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

12. 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 12.0 million (\$24.5 million), including issuing letters of credit, on a revolving basis as of September 30, 2007. The UK Facility bore interest at LIBOR plus 2.0% as of September 30, 2007, is collateralized by substantially all of the assets of the subsidiary and expires in January 2008. The UK Facility also 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 EUR 0.5 million (\$0.7

million) as of September 30, 2007, 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, 2007.

As of September 30, 2007, we maintained a \$40.0 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, 2007, the \$40.0 million deposit is included in short-term investments as restricted cash. No borrowings were outstanding as of September 30, 2007.

As of September 30, 2007, our publishing subsidiary located in the UK maintained a EUR 4.0 million (\$5.7 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 2008. No borrowings were outstanding as of September 30, 2007.

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 right 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, 2007, are scheduled to be paid as follows (amounts in thousands):

22

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

Fiscal year ending March 31,	Contractual Obligations(1)			
	Facility and Equipment Leases	Developer and IP	Marketing	Total
2008 (remaining six months)	\$ 9,268	\$ 29,080	\$ 8,741	\$ 47,089
2009	19,265	55,572	46,015	120,852
2010	17,454	23,036	11,100	51,590
2011	15,045	30,586	13,100	58,731
2012	10,772	16,586	—	27,358
Thereafter	41,879	47,587	—	89,466
Total	\$ 113,683	\$ 202,447	\$ 78,956	\$ 395,086

(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. At the adoption date of April 1, 2007, the Company had \$65.5 million of unrecognized tax benefits.

Compensation Guarantee

In June 2005, we entered into an employment agreement with the President and Chief Executive Officer of Activision Publishing, Inc., a wholly owned subsidiary of the Company and the Company's principal operating subsidiary, containing a guarantee related to his total compensation. The agreement guarantees that, if on May 15, 2010 his total compensation and any severance payments received by him has not exceeded \$20.0 million, we will make a payment for the amount of the shortfall. The \$20.0 million guarantee will be recognized as compensation expense over the term of the employment agreement and consists of salary payments, bonus payments, restricted stock expense, stock option expense, and an accrual for any anticipated remaining portion of the guarantee. The remaining portion of the guarantee is accrued over the term of the agreement in "Other liabilities" and will remain accrued until the end of the employment agreement, at which point it will be used to make a payment for any shortfall or reclassified into shareholders' equity.

Legal Proceedings

In July 2006, individuals and/or entities claiming to be stockholders of the Company filed derivative lawsuits, purportedly on behalf of the Company, against certain current and former members of the Company's Board of Directors as well as several current and former officers of the Company. Three derivative actions have been 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 have been consolidated by the court under the caption In re Activision Shareholder Derivative Litigation, L.A.S.C. Master File No. SC090343 (West, J.). Two derivative actions have been 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); and Hamian v. Kotick, et al., C.D. Cal. Case No. CV06-5375 MRP (JLTx) (filed August 25, 2006). These actions have also been 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 allege, among other things, purported improprieties in the Company's issuance of stock options. Plaintiffs seek various relief on behalf of the Company, 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. The Company

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

expects that defense expenses associated with the matters will be covered by its directors and officers insurance, subject to the terms and conditions of the applicable policies.

On May 24, 2007, the Superior Court granted the Company's motion to stay the state action. The court's order stays the action pending the resolution of motions to dismiss in the federal action, but is without prejudice to any party's right to seek modification of the stay upon a showing of good cause, including a showing that matters may be addressed in the Superior Court without the potential for conflict with or duplication of the federal court proceedings. On July 13, 2007, Plaintiffs filed their second amended complaint, which alleges substantially the same claims as the previous complaints, with new allegations related to Plaintiffs' standing, recent public facts and additional analyses. The parties are briefing the threshold issues and a hearing on them is scheduled for November 7, 2007.

The Company filed motions to dismiss in the federal action on June 1, 2007. A hearing on the motions has been continued to December 3, 2007.

The Company was also informed that, on June 1, 2007, a derivative case, *Abdelnur vs. Kotick et al.*, was filed in the United States District Court for the Central District of California, C.D. Case No. CV07-3575 AHM (PJWx), by the same law firm that previously filed the Hamian case, alleging substantially the same claims. The action has now been consolidated with the existing federal consolidated action and the motions to dismiss filed June 1, 2007 have been deemed to have also been filed in response to the Abdelnur complaint.

On July 18, 2007, the Company was informed that another derivative case, *Scarborough v. Kotick et al.*, was filed in the United States District Court for the Central District of California, Case No. CV07-4602 SVW (PLAx), also by the same law firm that previously filed the Hamian case, alleging substantially the same claims. This action has been consolidated with the federal consolidated case. The parties attended a mediation related to the consolidated federal case on November 1, 2007.

On July 24, 2006, the Company received a letter of informal inquiry from the SEC requesting certain documents and information relating to the Company's historical stock option grant practices. Thereafter, the SEC issued a formal order of non-public investigation, pursuant to which it has subpoenaed documents from the Company related to the investigation, and has subpoenaed testimony and documents from certain current and former directors, officers and employees of the Company.

The Company is cooperating with the SEC's investigation, and representatives of the special subcommittee of independent members of our Board of Directors established in July 2006 to review our historical stock option granting practices (the "Special Subcommittee") and its legal counsel have met with members of the staff of the SEC on several occasions, in person and by telephone (as has the Company's outside legal counsel), to discuss the progress of the Special Subcommittee's investigation and to brief the SEC staff on the Special Subcommittee's findings and recommendations. A representative of the U.S. Department of Justice has attended certain of these meetings and requested copies of certain documents that we have provided to the staff of the SEC. At this time, the Company has not received any grand jury subpoenas or written requests from the Department of Justice.

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.

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

13. Stock-Based Compensation and Employee Benefit Plans

Equity Incentive Plans

On July 30, 2007, our Board of Directors adopted the Activision 2007 Incentive Plan (the "2007 Plan"), subject to shareholder approval, and reserved 15,000,000 shares for issuance thereunder and, on September 27, 2007, the 2007 Plan was approved by our shareholders and became effective. The 2007 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 2007 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 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, restricted stock 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 2007 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 2007 Plan, we ceased to make awards under the following equity incentive plans (collectively, the "Rolled-Up 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; and (vii) Activision, Inc. 2003 Incentive Plan, as amended.

The number of shares available for issuance under the 2007 Plan was increased by an additional 2,685,577 shares of our common stock to reflect the shares reserved for issuance but not subject to outstanding awards under the Rolled-Up Plans at the time the 2007 Plan became effective. Additionally, the number of shares of our common stock reserved for issuance under the 2007 Plan may be further increased from time to time by: (i) the number of shares relating to awards outstanding under any Rolled-Up 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 Rolled-Up Plan is, or the tax withholding requirements with respect to any award outstanding under any Rolled-Up Plan are, satisfied by withholding shares otherwise then 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, 2007, we had approximately 17.7 million shares of our common stock reserved for future issuance under the 2007 Plan. Shares issued in connection with awards made under the 2007 Plan are generally issued as new stock issuances.

25

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

Restricted Stock Units and Restricted Stock

We grant restricted stock units and restricted stock (collectively referred to as “restricted stock rights”) under the 2007 Plans to employees around the world. Restricted stock units entitle the holders thereof to receive shares of our common stock at the end of a specified period of time. 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 based upon the holders’ continued employment with us. If the vesting conditions are not met, unvested restricted stock rights will be forfeited.

During the first quarter of fiscal 2008, we issued restricted stock rights of 8,000 shares to an employee with a total grant date fair value of \$163,000. During the second quarter of fiscal 2008, we issued restricted stock rights of 75,333 shares to employees with a total grant date fair value of \$1,513,000. The value of the shares is based on the closing market price of our common stock on the date of grant. In accordance with SFAS No. 123R, we will recognize compensation expense and increase additional paid in capital related to restricted stock rights over the requisite service period. For the three and six months ended September 30, 2007, we recorded expenses related to total restricted stock rights of approximately \$548,000 and \$879,000, respectively. For the three and six months ended September 30, 2006, we recorded expenses related to total restricted stock rights of approximately \$175,000 and \$350,000, respectively. Since the issuance dates, we have recognized \$2.3 million of the \$6.4 million total fair value, with the remainder to be recognized over a weighted-average period of 1.72 years.

Non-Plan Employee Stock Options

In connection with prior employment agreements between Activision and Robert A. Kotick, Activision’s Chairman and Chief Executive Officer, and Brian G. Kelly, Activision’s Co-Chairman, Mr. Kotick and Mr. Kelly were granted options to purchase our common stock. The Board of Directors approved the granting of these options. As of September 30, 2007, options to purchase approximately 8,304,800 shares under such grants were outstanding with a weighted-average exercise price of \$1.74.

Employee Stock Purchase Plan

Effective October 1, 2005, the Board of Directors 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 our 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. On June 13, 2007, employees purchased 228,242 shares of our common stock at a purchase price of \$12.835 per share. On September 28, 2007, the most recent purchase date, employees purchased 126,008 shares of our common stock at a purchase price of \$16.099 per share. As of September 30, 2007, we had approximately 1.2 million shares of our common stock reserved for future issuance under the ESPP. Shares issued in connection with purchases made under the ESPP are generally issued as new stock issuances.

26

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

Non-Employee Warrants

In prior years, we have granted stock warrants to third parties in connection with the development of software and the acquisition of licensing rights for intellectual property. The warrants generally vest upon grant and are exercisable over the term of the warrant. The exercise price of third-party warrants is generally greater than or equal to the fair market value of our common stock at the date of grant. No third-party warrants were granted during the quarters or six months ended September 30, 2007 and 2006. As of September 30, 2007 and 2006, respectively, third-party warrants to purchase 919,800 and 936,000 shares of our common stock were outstanding with a weighted-average exercise price of \$4.59 and \$4.54 per share, respectively.

In accordance with EITF 96-18, we measure the fair value of the securities on the measurement date. The fair value of each warrant is capitalized and amortized to expense when the related product is released and the related revenue is recognized. Additionally, as more fully described in Note 1, the recoverability of capitalized software development costs and intellectual property licenses is evaluated on a quarterly basis with amounts determined as not recoverable being charged to expense. In connection with the evaluation of capitalized software development costs and intellectual property licenses, any capitalized amounts for related third-party warrants are additionally reviewed for recoverability with amounts determined as not recoverable being amortized to expense. As of March 31, 2006, capitalized amounts of third-party warrants had been fully amortized.

Employee Retirement Plan

We have a retirement plan covering substantially all of our eligible employees. The retirement plan is qualified in accordance with Section 401(k) of the Internal Revenue Code. Under the plan, employees may defer up to 92% of their pre-tax salary, up to the maximum amount allowed by law. We contribute an amount equal to 20% of each dollar contributed by a participant. Our matching contributions to the plan were approximately \$278,020 and \$867,600 during the three and six months ended September 30, 2007, respectively. Our matching contributions to the plan were approximately \$284,500 and \$744,200 during the three and six months ended September 30, 2006, respectively.

The following table sets forth the total stock-based compensation expense resulting from stock options, restricted stock rights, and ESPP included in our Consolidated Statements of Operations for the three and six months ended September 30, 2007 and 2006 (in thousands):

	Three Months Ended September 30, 2007	Six Months Ended September 30, 2007
Cost of sales - software royalties and amortization	\$ 248	\$ 2,093
Product development	2,414	3,921
Sales and marketing	1,868	3,639
General and administrative	2,339	5,376
Stock-based compensation expense before income taxes	6,869	15,029
Income tax benefit	(2,686)	(5,876)
Total stock-based compensation expense after income taxes	\$ 4,183	\$ 9,153

27

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

	Three Months Ended September 30, 2006	Six Months Ended September 30, 2006
Cost of sales - software royalties and amortization	\$ —	\$ 36
Product development	991	2,670
Sales and marketing	889	1,929
General and administrative	3,011	6,105
Stock-based compensation expense before income taxes	4,891	10,740
Income tax benefit	(1,912)	(4,199)
Total stock-based compensation expense after income taxes	\$ 2,979	\$ 6,541

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. The following table summarizes stock option expense included in our Consolidated Balance Sheets as a component of software development (in thousands):

	Software Development
Balance, March 31, 2007	\$ 6,566
Stock-based compensation expense capitalized during period	8,141
Amortization of capitalized stock-based compensation expense	(2,093)
Balance, September 30, 2007	\$ 12,614

Net cash proceeds from the exercise of stock options were \$19.1 million and \$30.3 million for the three and six months ended September 30, 2007, respectively. Net cash proceeds from the exercise of stock options were \$7.1 million and \$11.9 million for the three and six months ended September 30, 2006, respectively. Income tax benefit from stock option exercises was \$8.8 million and \$9.2 million for the three and six months ended September 30, 2007, respectively. Income tax benefit from stock option exercises was \$3.1 million and \$5.9 million for the three and six months ended September 30, 2006, 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.

Consistent with SFAS No. 123R, data input into our model reflects expected future changes 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 termination rates for specific types of employees. 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 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

28

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

that time period. These probabilities are 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, 2007 and 2006 was \$8.16 and \$5.66 per share, respectively, using the binomial-lattice model with the following weighted-average assumptions:

	Employee and Director Options and Warrants		Employee Stock Purchase Plan	
	Three Months Ended		Three Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Expected term (in years)	5.41	5.67	0.5	0.5
Risk-free interest rate	4.81%	5.00%	5.07%	4.68%
Volatility	50.83%	54.60%	34.58%	41.40%
Dividend yield	—	—	—	—
Weighted-average fair value at grant date	\$ 8.16	\$ 5.66	\$ 4.58	\$ 3.55

	Six Months Ended		Six Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	Expected term (in years)	5.43	4.67	0.5
Risk-free interest rate	4.81%	5.04%	5.07%	4.68%
Volatility	50.90%	54.33%	34.58%	41.40%
Dividend yield	—	—	—	—
Weighted-average fair value at grant date	\$ 8.26	\$ 5.44	\$ 4.58	\$ 3.55

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'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, 2007, the expected stock price volatility ranged from 45.56% to 51.95%, with a weighted-average volatility of 50.83% for options granted during the quarter ended September 30, 2007. For options granted during the three months ended September 30, 2006, the expected stock price volatility ranged from 50.70% to 55.84%, with a weighted-average volatility of 54.60% for options granted during the three months ended September 30, 2006.

As was 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

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

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.

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.

Accuracy of Fair Value Estimates

The Company uses third-party analyses to assist in developing the assumptions used in the binomial lattice model, including model inputs and measures of employees' exercise and post-vesting termination behavior. However, we are responsible for the assumptions used to estimate the fair value of our share-based payment awards.

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 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 activity for the six months ended September 30, 2007 is as follows (in thousands, except per share amounts):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2007	49,429	\$ 7.18		
Granted	8,270	18.92		
Exercised	(3,682)	6.88		
Forfeited	(1,174)	10.75		
Outstanding at September 30, 2007	52,843	\$ 9.03	6.08	\$ 663,699
Exercisable at September 30, 2007	32,346	\$ 5.27	4.45	\$ 527,808

30

ACTIVISION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

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 our second quarter of fiscal 2008 and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their options on September 30, 2007. This amount changes based on the fair market value of our common stock. Total intrinsic value of options exercised is \$34.3 million and \$46.4 million for the three and six months ended September 30, 2007, respectively. Total intrinsic value of options exercised is \$9.0 million and \$16.7 million for the three and six months ended September 30, 2006, respectively.

As of September 30, 2007, \$69.7 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.8 years.

On June 8, 2007, with respect to unexercised options subject to Section 409A of the Internal Revenue Code held by employees who are not executive officers, Activision commenced an offer to amend the exercise price of these options to eliminate the grantee's Section 409A tax liability consistent with Internal Revenue Service guidance. Pursuant to the offer, which closed on July 6, 2007, the Company will make a cash payment in January 2008 to employees who have accepted the offer, totaling approximately \$4.1 million, which represents the difference between the original exercise price of each amended option and the amended exercise price of each amended option. The offer with respect to all eligible options is considered a modification of those options for financial reporting purposes. Pursuant to the accounting standards in effect under SFAS No. 123R, the incremental fair value of approximately \$1 million, created as a result of cash payments that become payable pursuant to the terms of the offer, was recognized as compensation expense at the expiration of the offer period on July 6, 2007.

14. Impact of Recently Issued Accounting Standards

In September 2006, the FASB issued Statement No. 157 ("SFAS No. 157"), *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not expect that the adoption of SFAS No. 157 will have a material effect on our financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The provisions of SFAS No. 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We are evaluating if we will adopt the fair value option of SFAS No. 159 and what impact the adoption will have on our Consolidated Financial Statements if we adopt.

In June 2007, the FASB ratified the Emerging Issues Task Force's ("EITF") consensus conclusion on EITF 07-03, "*Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development*". EITF 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under this conclusion, an entity is required to defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. EITF 07-03 is effective for interim or annual reporting periods in fiscal years beginning after December 15, 2007 and requires prospective application for new contracts entered into after the effective date. We do not expect the adoption of EITF 07-03 to have a material impact on our Consolidated Financial Statements.

31

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

Overview

Our Business

We are a leading international publisher of interactive entertainment software products. We have built a company with a diverse portfolio of products that spans a wide range of categories and target markets and that are used on a variety of game hardware platforms and operating systems. We have created, licensed, and acquired a group of highly recognizable brands, which we market to a variety of consumer demographics. Our fiscal 2008 product portfolio

includes titles such as *Guitar Hero II* for the Microsoft Xbox360, *Spider-Man 3 The Game* (“*Spider-Man 3*”), *Shrek the Third*, *TRANSFORMERS: The Game*, *Enemy Territory: Quake Wars*, *Call of Duty 4: Modern Warfare*, *Tony Hawk’s Proving Ground*, *Bee Movie Game*, *Spider-Man: Friend or Foe*, and *Guitar Hero III*.

Our products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming, and strategy. Our target customer base ranges from casual players to game enthusiasts, children to adults, and mass-market consumers to “value” buyers. We currently offer our products primarily in versions that operate on the Sony PlayStation 2 (“PS2”), the Sony PlayStation 3 (“PS3”), the Nintendo Wii (“Wii”), and the Microsoft Xbox360 (“Xbox360”) console systems, the Nintendo Game Boy Advance (“GBA”), the Nintendo Dual Screen (“NDS”), and the Sony PlayStation Portable (“PSP”) hand-held devices, and the personal computer (“PC”). The installed base for the previous generation of hardware platforms (e.g., PS2, Microsoft Xbox) is significant and the fiscal 2006 release of the Xbox360 and the fiscal 2007 releases of the PS3 and the Wii will further expand the software market. During the third quarter of fiscal 2007, we had a successful and significant presence at the launches of the PS3 and the Wii with three launch titles for the PS3, *Call of Duty 3*, *Marvel: Ultimate Alliance*, and *Tony Hawk’s Project 8*, and five launch titles for the Wii, *Call of Duty 3*, *Marvel: Ultimate Alliance*, *World Series of Poker: Tournament of Champions*, *Rapala Tournament Fishing*, and *Tony Hawk’s Downhill Jam*. In the first quarter of fiscal 2008, we had strong releases of *Guitar Hero II* for the Xbox360, and multi platform releases of *Spider-Man 3*, *Shrek the Third*, and *TRANSFORMERS: The Game* in North America. In the second quarter of fiscal 2008, we continued the strong momentum of *Guitar Hero II* and released *Guitar Hero: Rocks the 80s* for the PS2. Further, we released *TRANSFORMERS: The Game* in Europe in the second quarter of fiscal 2008. Our plan is to continue to build on a significant presence on the PS3, Wii, and Xbox360 (“the next-generation platforms”) by continuing to expand the number of titles released on the next generation and hand-held platforms while continuing to market to the PS2 platform as long as economically attractive given their large installed base.

Our publishing business involves the development, marketing, and sale of products directly, by license, or through our affiliate label program with certain third-party publishers. In North America, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. We conduct our international publishing activities through offices in the United Kingdom (“UK”), Germany, France, Italy, Spain, the Netherlands, Sweden, Australia, Canada, South Korea, and Japan. Our products are sold internationally on a direct-to-retail basis, through third party distribution and licensing arrangements, and through our wholly owned European distribution subsidiaries. Our distribution business consists of operations located in the UK, the Netherlands, and Germany that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Our profitability is directly affected by the mix of revenues from our publishing and distribution businesses. Operating margins realized from our publishing business are typically substantially higher than margins realized from our distribution business. Operating margins in our publishing business are affected by our ability to release highly successful or “hit” titles. Though many of these titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs, incremental net revenues directly and positively impact our operating margin. Operating margins in our distribution business are affected by the mix of hardware and software sales, with software typically producing higher margins than hardware.

Our Focus

With respect to future game development, we will continue to focus on our “big propositions,” products that are backed by strong brands and high quality development, for which we will provide significant marketing support.

Our fiscal 2008 releases include well-established brands, which are backed by high-profile intellectual property and/or highly anticipated motion picture releases. For example, we have a long-term relationship with Marvel Entertainment, Inc. through an exclusive licensing agreement for the Spider-Man and X-Men franchises through 2017. This agreement grants us the exclusive rights to develop and publish video games based on Marvel’s comic book and movie franchises; Spider-Man and X-Men. Through September 30, 2007, games based on the Spider-Man and X-Men franchises have generated approximately \$1.0 billion in net revenues worldwide. Under this agreement, in the first quarter of fiscal 2007 we released the video game, *X-Men: The Official Game* coinciding with the theatrical release of “X-Men: The Last Stand.” In the third quarter of fiscal 2007, we released *Marvel: Ultimate Alliance* across multiple platforms and *Spider-Man: Battle for New York* on the NDS and GBA. In the first quarter of fiscal 2008 we released *Spider-Man 3* based on Columbia Pictures/Marvel Entertainment, Inc.’s feature film “Spider-Man 3,” which was released in May 2007 through our licensing agreement with Spider-Man Merchandising, LP. Our agreement with Spider-Man Merchandising, LP grants us exclusive worldwide publishing rights to publish entertainment software products based on subsequent Spider-Man movie sequels or new television series through 2017.

We also have an exclusive licensing agreement with professional skateboarder Tony Hawk. The agreement grants us exclusive rights to develop and publish video games through 2015 using Tony Hawk’s name and likeness. Through September 30, 2007, we have released eight successful titles in the Tony Hawk franchise with cumulative net revenues of \$1.2 billion, including the two fiscal 2007 third quarter releases, *Tony Hawk’s Project 8*, which was released on the PSP, Xbox360, PS2, and PS3, and *Tony Hawk’s Downhill Jam* which was released on the Wii, NDS, and GBA. According to the NPD Group, which is a provider of consumer and retail market research information for a wide range of industries, for the eighth consecutive year in 2007 the Tony Hawk franchise had a top 10 best-selling game in the U.S. for the month of December. We will continue to build on the highly successful Tony Hawk franchise with the third quarter fiscal 2008 release of *Tony Hawk’s Proving Ground*.

We have continued our focus on establishing and maintaining relationships with talented and experienced software development and publishing teams. In June 2006, we acquired RedOctane, Inc. (“RedOctane”), the publisher of the popular Guitar Hero franchise. In the third quarter of fiscal 2007, we released *Guitar Hero II* on the PS2, which according to the NPD Group was the #1 game in dollars for the U.S. for the month of December and the #2 game overall for the third quarter of fiscal 2007. In the first quarter of fiscal 2008 we released *Guitar Hero II* for the Xbox360. Additionally, further strengthening the Guitar Hero franchise, in the second quarter of fiscal 2008, we released our first expansion pack, *Guitar Hero: Rocks the 80s* on the PS2. We plan on continuing to build on this franchise by investing in future development of Guitar Hero titles across a variety of platforms. In September 2007, we acquired U.K.-based video game developer Bizarre Creations, a leader in the racing category. With more than 10 years experience in the racing genre, Bizarre Creations was the developer of the innovative multi-million unit selling franchise, Project Gotham Racing, a critically-acclaimed series for the Xbox and Xbox360. Bizarre Creations and its games have won numerous industry awards including: Best Racing Game for *Project Gotham Racing 2* from the prestigious British Academy of Film and Television Arts (BAFTA); the Industry Grand Prix Award from Develop; MCV’s UK Development Team 2006 award; Best Racing/Driving Game from IGN; Game of the Year from OXM and Gamespace for Project Gotham Racing 3; and IGN’s Best XBLA Game for *Geometry Wars: Retro Evolved*. Bizarre Creations will play role in our growth strategy as we develop intellectual property for the racing segment, expand our development capability and capacity for other genres and utilize Bizarre Creations’ proprietary development technology. We also have development agreements with other top-level, third-party developers such as id Software, Inc., Splash Damage, Ltd., and Next Level Games.

with DreamWorks Animation LLC that granted us the exclusive rights to publish video games based on DreamWorks Animation SKG's theatrical release "Shrek 2," which was released in the first quarter of fiscal 2005, "Shark Tale," which was released in the second quarter of fiscal 2005, "Madagascar," which was released in the first quarter of fiscal 2006, "Over the Hedge," which was released in the first quarter of fiscal 2007, "Shrek the Third" which was released in the first quarter of fiscal 2008, and all of their respective sequels. In addition, our multi-year agreement with DreamWorks Animation LLC also grants us the exclusive video game rights to the recently released *The Bee Movie* and three upcoming feature films, including *Kung Fu Panda*, *Monsters vs Aliens* as well as potential future films in the "Shrek" franchise beyond "*Shrek the Third*."

Additionally, we have a strategic alliance with Harrah's Entertainment, Inc. that grants us the exclusive, worldwide interactive rights to develop and publish "World Series of Poker" video games based on the popular World Series of Poker Tournament. In the second quarter of fiscal 2006, we released our first title under this alliance, *World Series of Poker*, which became the number one poker title of calendar 2005. Further building on this franchise, in the second quarter of fiscal 2007, we released our second title under this alliance, *World Series of Poker: Tournament of Champions*. Further, we released our third title under this alliance, *World Series of Poker: Battle for the Bracelet* in the second quarter of fiscal 2008.

We also continue to build on our portfolio of licensed intellectual property. In February 2006, we signed an agreement with Hasbro Properties Group granting us the exclusive global rights (excluding Japan) to develop console, hand-held, and PC games based on Hasbro's "Transformers" brand. We had a strong initial release of our first game in late June 2007 concurrently with the early July 2007 movie release of the live action "Transformers" film from DreamWorks Pictures and Paramount Pictures. In April 2006, we signed an agreement with MGM Interactive and EON Productions Ltd. granting us the exclusive rights to develop and publish interactive entertainment games based on the James Bond license through 2014. In April 2006, we signed a multi-year agreement with Mattel, Inc. which grants us the exclusive worldwide distribution rights for the catalog of video games based on Mattel, Inc.'s Barbie brand on all platforms. In the third quarter of fiscal 2007, we distributed six Barbie titles: *Barbie in the 12 Dancing Princesses*, *The Barbie Diaries: High School Mystery*, *Barbie Fashion Show*, *Barbie Horse Adventures: Mystery Ride*, *Barbie and the Magic of Pegasus*, and *Barbie as the Princess and the Pauper*. Based on the success of this distribution, we signed multi-year license agreements with Mattel, Inc. in January 2007 which grant us the exclusive worldwide rights to develop and publish new video games based on Mattel Inc.'s *Barbie* and *Hot Wheels* brands on all platforms. In the second quarter of fiscal 2008, we released *Hot Wheels: Beat That!*. In September 2006, we entered into a distribution agreement with MTV Networks Kids and Family Group's Nickelodeon, a division of Viacom Inc., to be the exclusive distributor of three new Nick Jr. PC CD-ROM titles, published by Nickelodeon and based on the top preschool series on commercial television, *Dora The Explorer*, *The Backyardigans*, and *Go, Diego, Go!*.

We are utilizing these developer relationships, new intellectual property acquisitions, new original intellectual property creations, and our existing library of intellectual property to further focus our game development on product lines that will deliver significant, lasting, and recurring revenues and operating profits.

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 reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the Notes to Consolidated Financial Statements included in Item 1. The preparation of financial statements in conformity with generally accepted accounting principles 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. 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. 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.

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 do not defer any revenue related to products containing these limited online features. In instances where online features or additional functionality is considered a substantive deliverable in addition to the software product, the company contemplates such when determining the appropriate revenue recognition. This evaluation is performed for each software product when it is released. We determined that one of our software titles released this quarter, *Enemy Territory: Quake Wars* (which is primarily an online multiplayer PC game), 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. As such, our performance obligations for this title extend beyond the sale of the game, which is unique compared to other prior titles. 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 are recognizing all of the revenue from the sale of this title ratably over an estimated service period, which is estimated to be six months beginning the month after shipment. In addition, we are deferring the costs of sales for this title. Cost of sales includes: manufacturing costs, software royalties and amortization, and intellectual property licenses. Overall, online play functionality is still an emerging area for us. As we move forward, we will monitor this developing functionality and its significance for our products. Our assessment of our obligations with respect to this functionality and the resulting accounting may change in the future.

With respect to online transactions, such as electronic downloads of titles or product add-ons, 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, in order to recognize revenue for both product sales and licensing transactions, 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 the Financial Accounting Standards Board's Emerging Issues Task Force ("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 of 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.

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 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, 2007 allowance for returns and price protection would impact net revenues by \$1.0 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. 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 Standard ("SFAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." 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. 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. We evaluate the future recoverability of capitalized amounts on a quarterly basis. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific products for which the costs relate. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

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, generally resulting in an amortization period of six months or less. For products that have been released in prior

periods, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing 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.

Intellectual Property Licenses. Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, 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.

We evaluate the future recoverability of capitalized intellectual property licenses on a quarterly basis. The recoverability of capitalized intellectual property license costs is evaluated based on the expected performance of the specific products in which the licensed trademark or copyright is to be used. 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. 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. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

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. For intellectual property included in products that have been released, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

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.

Stock-based Compensation Expense

On April 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS No. 123R") which requires the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan based on estimated fair values. Stock-based compensation expense recognized under SFAS No. 123R for the three and six months ended September 30, 2007 was \$6.9 million and \$15.0 million, respectively and for the three and six months ended September 30, 2006 was \$4.9 million and \$10.7 million, respectively. See Note 13 to the consolidated financial statements for additional information.

The Company estimates 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 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. 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, 2007 was \$8.16 per share using the binomial-lattice model with the following weighted-average assumptions:

	Three Months Ended September 30, 2007	Six Months Ended September 30, 2007
Expected volatility	50.83%	50.90%
Risk-free interest rate	4.81%	4.81%
Expected dividends	—	—

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 ("SAB 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'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, 2007, the expected stock price volatility ranged from 45.56% to 51.95%, with a weighted-average volatility of 50.83% for options granted during the quarter ended September 30, 2007. For options granted during the three months ended September 30, 2006, the expected stock price volatility ranged from 50.70% to 55.84%, with a weighted-average volatility of 54.60% for options granted during the three months ended September 30, 2006.

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

38

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.

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.

39

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, business segment and platform, as well as operating income (loss) by business segment as a percentage of segment net revenues (amounts in thousands):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2007		2006		2007		2006	
Net revenues	\$ 317,746	100%	\$ 188,172	100%	\$ 813,201	100%	\$ 376,241	100%
Costs and expenses:								
Cost of sales – product costs	151,996	48	127,374	68	369,225	45	235,997	63
Cost of sales – software royalties and amortization	38,427	12	9,348	5	116,679	14	28,609	7
Cost of sales – intellectual property licenses	14,533	5	4,356	2	47,012	6	14,272	4
Product development	33,085	10	25,608	14	65,982	8	51,233	14
Sales and marketing	51,868	16	32,550	17	120,580	15	68,729	18
General and administrative	37,382	12	26,346	14	73,176	9	48,260	13
Total costs and expenses	327,291	103	225,582	120	792,654	97	447,100	119
Operating income (loss)	(9,545)	(3)	(37,410)	(20)	20,547	3	(70,859)	(19)
Investment income, net	12,132	4	8,032	4	23,694	3	16,307	5
Income (loss) before income tax provision (benefit)	2,587	1	(29,378)	(16)	44,241	6	(54,552)	(14)
Income tax provision (benefit)	1,889	1	(5,076)	(3)	15,717	2	(11,941)	(3)
Net income (loss)	\$ 698	0%	\$ (24,302)	(13)%	\$ 28,524	4%	\$ (42,611)	(11)%
Net Revenues by Territory:								
North America	\$ 161,804	51%	\$ 74,249	40%	\$ 471,340	58%	\$ 173,863	46%
Europe	146,525	46	107,775	57	316,539	39	189,588	51
Other	9,417	3	6,148	3	25,322	3	12,790	3
Total net revenues	\$ 317,746	100%	\$ 188,172	100%	\$ 813,201	100%	\$ 376,241	100%
Net Revenues by Segment/Platform Mix								
Publishing:								
Console	\$ 200,159	63%	\$ 84,136	45%	\$ 558,932	69%	\$ 174,325	46%
Hand-held	39,070	12	23,202	12	95,686	12	49,786	13
PC	14,530	5	18,066	10	28,363	3	36,055	10
Total publishing net revenues	253,759	80	125,404	67	682,981	84	260,166	69
Distribution:								
Console	40,325	13	33,337	18	83,426	10	62,125	17
Hand-held	18,670	6	23,372	12	37,786	5	41,585	11
PC	4,992	1	6,059	3	9,008	1	12,365	3
Total distribution net revenues	63,987	20	62,768	33	130,220	16	116,075	31
Total net revenues	\$ 317,746	100%	\$ 188,172	100%	\$ 813,201	100%	\$ 376,241	100%
Operating Income (Loss) by Segment and as a Percentage of Total Net Revenues:								
Publishing	\$ (9,667)	(3)%	\$ (36,607)	(19)%	\$ 19,449	3%	\$ (68,125)	(18)%
Distribution	122	0	(803)	(1)	1,098	0	(2,734)	(1)
Total operating income (loss)	\$ (9,545)	(3)%	\$ (37,410)	(20)%	\$ 20,547	3%	\$ (70,859)	(19)%

Results of Operations – Three and Six Months Ended September 30, 2007 and 2006

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 GBA, NDS, and PSP). 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 details our consolidated net revenues by business segment and our publishing net revenues by territory for the three months ended September 30, 2007 and 2006 (in thousands):

	Three Months Ended September 30,		Increase/ (Decrease)	Percent Change
	2007	2006		
Publishing Net Revenues				
North America	\$ 161,804	\$ 74,249	\$ 87,555	118%
Europe	82,538	45,007	37,531	83%
Other	9,417	6,148	3,269	53%
Total International	91,955	51,155	40,800	80%
Total Publishing Net Revenues	253,759	125,404	128,355	102%
Distribution Net Revenues	63,987	62,768	1,219	2%
Consolidated Net Revenues	\$ 317,746	\$ 188,172	\$ 129,574	69%

Consolidated net revenues increased 69% from \$188.2 million for the three months ended September 30, 2006 to \$317.7 million for the three months ended September 30, 2007.

Commencing with this fiscal quarter, we have determined that for one of our titles released this quarter, *Enemy Territory: Quake Wars* (which is primarily an online multiplayer PC game), that all of the net revenue from the sale of this title will be recognized on a deferred basis — straight-line over an estimated service period, which we estimate to be six months beginning in the month after shipment. As a result, \$8.9 million of net revenues was not included for the three months ended September 30, 2007. We do not anticipate any material amounts to be deferred from fiscal year 2008 into fiscal year 2009. Further, we do not anticipate deferrals for any other titles in fiscal year 2008.

Overall, the increase of consolidated net revenues for the three months ended September 30, 2007, was primarily the result of the following:

- Our total publishing net revenues increased by \$128.4 million. This was primarily due to the worldwide release of *Guitar Hero: Rocks the 80s* for PS2, and the Europe release of *TRANSFORMERS: The Game* in the second quarter of fiscal 2008. Further, the continued momentum from *Guitar Hero II*, and the North American and Asian release of *TRANSFORMERS: The Game* late in the first quarter of fiscal 2008 contributed to the increase in overall publishing net revenues. This compares to the release of an affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy* in Europe in the second quarter of fiscal 2007.
- International net revenues were impacted by a year over year strengthening of the Euro ("EUR"), Australian Dollar ("AUD"), and Great Britain Pound ("GBP") in relation to the United States Dollar ("USD"). Foreign exchange rates increased reported consolidated net revenues by approximately \$12.5 million for the three months ended September 30, 2007. Excluding the impact of changing foreign currency rates, our consolidated net revenues increased 62% year over year.

The following table details our consolidated net revenues by business segment and our publishing net revenues by territory for the six months ended September 30, 2007 and 2006 (in thousands):

	Six Months Ended September 30,		Increase/ (Decrease)	Percent Change
	2007	2006		
Publishing Net Revenues				
North America	\$ 471,340	\$ 173,863	\$ 297,477	171%
Europe	186,319	73,513	112,806	153%
Other	25,322	12,790	12,532	98%
Total International	211,641	86,303	125,338	145%
Total Publishing Net Revenues	682,981	260,166	422,815	163%
Distribution Net Revenues	130,220	116,075	14,145	12%
Consolidated Net Revenues	\$ 813,201	\$ 376,241	\$ 436,960	116%

Consolidated net revenues increased 116% from \$376.2 million for the six months ended September 30, 2006 to \$813.2 million for the six months ended September 30, 2007.

Commencing with this fiscal quarter, we have determined that for one of our titles released this quarter, *Enemy Territory: Quake Wars* (which is primarily an online multiplayer PC game), that all of the net revenue from the sale of this title will be recognized on a deferred basis — straight-line over an estimated service period, which we estimate to be six months beginning in the month after shipment. As a result, \$8.9 million of net revenues was not included for the six months ended September 30, 2007. We do not anticipate any material amounts to be deferred from fiscal year 2008 into fiscal year 2009. Further, we do not anticipate deferrals for any other titles in fiscal year 2008.

Overall, the increase of consolidated net revenues, for the six months ended September 30, 2007, was primarily the result of the following:

- Our overall publishing net revenues increased by \$422.8 million. This was primarily attributable to the successful worldwide release of titles for the first six months of fiscal 2008, such as, *Guitar Hero II* for Xbox360, *Guitar Hero: Rocks the 80s* for PS2, *Spider-Man 3*, *TRANSFORMERS: The Game*, and *Shrek the Third*. The continued momentum of *Guitar Hero II* for PS2 which was released in the third quarter of fiscal 2007 further contributed to the increase in consolidated net revenues. This compares to the releases in the first six months of fiscal 2007 of *Over the Hedge*, *X-Men: The Official Game*, and the release of an affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy* in Europe.
- International net revenues were impacted by a year over year strengthening of the Euro ("EUR"), Australian Dollar ("AUD"), and Great Britain Pound ("GBP") in relation to the USD. Foreign exchange rates increased reported consolidated net revenues by approximately \$27.6 million for the six months ended September 30, 2007. Excluding the impact of changing foreign currency rates, our consolidated net revenues increased 109% year over year.

North America Publishing Net Revenues (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 161,804	51%	\$ 74,249	40%	\$ 87,555	118%
Six Months Ended	471,340	58%	173,863	46%	297,477	171%

42

North America publishing net revenues increased 118% from \$74.2 million for the three months ended September 30, 2006 to \$161.8 million for the three months ended September 30, 2007. The increase was primarily attributable to the releases of *Guitar Hero: Rocks the 80s* on the PS2 in the second quarter of fiscal 2008, and continued strong momentum from our key title releases, *Guitar Hero II* for the Xbox360 and *TRANSFORMERS: The Game* in the first quarter of fiscal 2008, and *Guitar Hero II* for the PS2 released in the third quarter of fiscal 2007. There were no major releases in North America in the second quarter of fiscal 2007.

For the six months ended September 30, 2007, North America publishing net revenues were \$471.3 million, an increase of 171% from \$173.9 million for the six months ended September 30, 2006. The increase was mainly due to the strong performance of several key titles, *Guitar Hero II* for the Xbox360, *Spider-Man 3*, *Shrek the Third*, and *TRANSFORMERS: The Game*. Publishing net revenues were further increased by the strong momentum of *Guitar Hero II* for the PS2 released in the third quarter of fiscal 2007. This compares to the six months ended September 30, 2006 when we released *Over the Hedge* and *X-Men: The Official Game*.

According to the NPD Group, we have three of the top 10 titles in the U.S. for the quarter ended September 30, 2007, *Guitar Hero II*, *Guitar Hero: Rocks the 80s*, and *TRANSFORMERS: The Game* which is also the #1 action title. *TRANSFORMERS: Decepticon* and *TRANSFORMERS: Autobots* were ranked the #1 third party NDS titles for the second quarter of fiscal 2008. The *Guitar Hero* franchise is the #1 best-selling franchise in the U.S. for the calendar year 2007 to date, and the #3 franchise in the U.S. for the quarter ended September 30, 2007, according to the NPD Group.

North America publishing net revenues also increased as a percentage of consolidated net revenues from 40% and 46% for the three and six months ended September 30, 2006, respectively, to 51% and 58% for the three and six months ended September 30, 2007, respectively. The increases in the percentages of total consolidated net revenues are a result of the stronger net revenue growth for the publishing segment than that of the distribution segment during the same period.

International Publishing Net Revenues (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 91,955	29%	\$ 51,155	27%	\$ 40,800	80%
Six Months Ended	211,641	26%	86,303	23%	125,338	145%

International publishing net revenues increased by 80% from \$51.2 million for the three months ended September 30, 2006, to \$92.0 million for the three months ended September 30, 2007. \$8.9 million of net revenues was not included as of result of deferring net revenues for the three months ended September 30, 2007. Our international publishing operations recorded an increase of net revenue of 80%, mainly resulting from the release of *TRANSFORMERS: The Game* in Europe in the second quarter of fiscal 2008, concurrent with the movie release dates in those geographies, and the continued momentum from the release of *TRANSFORMERS: The Game* in Asia late in the first quarter of fiscal 2008, which outperformed our fiscal 2007 second quarter releases of *Over the Hedge* in several European countries and an affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy* in Europe. International publishing net revenues were further increased by a quarter over quarter strengthening of the EUR, AUD, and GBP in relation to the USD of approximately \$7.8 million for the three months ended September 30, 2007 as compared to the three months ended September 30, 2006. Excluding the impact of changing foreign currency rates, our international publishing net revenues increased 64% year over year. As a percentage of consolidated net revenues, international publishing net revenues increased from 27% for the three months ended September 30, 2006 to 29% for the three months ended September 30, 2007. The increases in the percentages of total consolidated net revenues are a result of the stronger net revenue growth for the publishing segment than that of the distribution segment during the same period.

43

International publishing net revenues increased from \$86.3 million for the six months ended September 30, 2006 to \$211.6 million for the six months ended September 30, 2007. \$8.9 million of net revenues was not included as of result of deferring net revenues for the six months ended September 30, 2007.

The significant increase in international publishing net revenues was primarily attributable to our European publishing business which released, *Spider-Man 3*, *Shrek the Third*, *Guitar Hero II* for the Xbox360 and *TRANSFORMERS: The Game*. This compares to releases of *Over the Hedge*, *X-Men: The Official Game*, and an affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy* in Europe in the first six months of fiscal 2007. International publishing net revenues was further increased by the year over year strengthening of the EUR, AUD, and GBP in relation to the USD of approximately \$17.8 million for the six months ended September 30, 2007 as compared to the six months ended September 30, 2006. Excluding the impact of changing foreign currency rates, our international publishing net revenues increased 125% year over year. As a percentage of consolidated net revenues, international publishing net revenues increased from 23% for the six months ended September 30, 2006 to 26% for the six months ended September 30, 2007. The increases in the percentage of total consolidated net revenues are a result of the stronger net revenue growth for the publishing segment than that of the distribution segment during the same period.

Publishing Net Revenues by Platform (in thousands)

The following table details our publishing net revenues by platform and as a percentage of total publishing net revenues for the three months ended September 30, 2007 and 2006 (in thousands):

	Three Months Ended September 30, 2007	% of Publishing Net Revs.	Three Months Ended September 30, 2006	% of Publishing Net Revs.	Increase/ (Decrease)	Percent Change
Publishing Net Revenues						
PC	\$ 14,530	6%	\$ 18,066	14%	\$ (3,536)	(20)%
Console						
Sony PlayStation 3	10,179	4%	—	—%	10,179	n/a
Sony PlayStation 2	118,560	47%	56,044	45%	62,516	112%
Microsoft Xbox360	58,088	23%	18,285	14%	39,803	218%
Nintendo Wii	13,115	5%	—	—%	13,115	n/a
Other	217	—%	9,807	8%	(9,590)	(98)%
Total console	200,159	79%	84,136	67%	116,023	138%
Hand-held	39,070	15%	23,202	19%	15,868	68%
Total publishing net revenues	\$ 253,759	100%	\$ 125,404	100%	\$ 128,355	102%

44

The following table details our publishing net revenues by platform and as a percentage of total publishing net revenues for the six months ended September 30, 2007 and 2006 (in thousands):

	Six Months Ended September 30, 2007	% of Publishing Net Revs.	Six Months Ended September 30, 2006	% of Publishing Net Revs.	Increase/ (Decrease)	Percent Change
Publishing Net Revenues						
PC	\$ 28,363	4%	\$ 36,055	14%	\$ (7,692)	(21)%
Console						
Sony Playstation 3	36,615	5%	—	—%	36,615	n/a
Sony PlayStation 2	265,427	39%	107,345	41%	158,082	147%
Microsoft Xbox360	208,693	31%	30,106	12%	178,587	593%
Nintendo Wii	45,814	7%	—	—%	45,814	n/a
Other	2,383	—%	36,874	14%	(34,491)	(94)%
Total console	558,932	82%	174,325	67%	384,607	221%
Hand-held	95,686	14%	49,786	19%	45,900	92%
Total publishing net revenues	\$ 682,981	100%	\$ 260,166	100%	\$ 422,815	163%

Personal Computer Net Revenues (in thousands)

	September 30, 2007	% of Publishing Net Revenues	September 30, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 14,530	6%	\$ 18,066	14%	\$ (3,536)	(20)%
Six Months Ended	28,363	4%	36,055	14%	(7,692)	(21)%

Net revenues from sales of titles for the PC decreased 20% from \$18.1 million or 14% of publishing net revenues for the three months ended September 30, 2006 to \$14.5 million or 6% of publishing net revenues for the three months ended September 30, 2007. \$8.9 million of net revenues, or 4% of publishing net revenues, was not included as of result of deferring net revenues for the three months ended September 30, 2007. We released *TRANSFORMERS: The Game* on the PC in Europe in the second quarter of fiscal 2008. This compares to the release of our European affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy* in the second quarter of fiscal 2007.

Net revenues from sales of titles for the PC decreased 21% from \$36.1 million or 14% of publishing net revenues for the six months ended September 30, 2006 to \$28.4 million or 4% of publishing net revenues for the six months ended September 30, 2007. \$8.9 million of net revenues, or 1% of publishing net revenues, was not included as a result of deferring net revenues for the six months ended September 30, 2007. The decreases were due to a stronger base period of our first two quarters of fiscal 2007 releases which consisted of *The Movies: Stunts and Effects*, *X-Men: The Official Game*, *Over the Hedge*, and our European affiliate title LucasArts' *Lego Star Wars II: The Original Trilogy*. This compares to the first six months of fiscal 2008 where net revenues were primarily derived from *Spider-Man 3*, *Shrek the Third*, and *TRANSFORMERS: The Game*.

45

Sony PlayStation 3 Net Revenues (in thousands)

	September 30, 2007	% of Publishing Net Revenues	September 30, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 10,179	4%	—	—%	\$ 10,179	n/a
Six Months Ended	36,615	5%	—	—%	36,615	n/a

The PS3 was released in North America in November 2006 and in Europe in March 2007. For the three months ended September 30, 2007, we released *TRANSFORMERS: The Game* on PS3 in Europe. For the six months ended September 30, 2007, PS3 net revenues were primarily derived from the worldwide sales of *Spider-Man 3* and *TRANSFORMERS: The Game*. These titles were released at premium retail pricing (i.e. \$59.99 in the United States).

Over the last six months, Sony has cut prices and introduced lower priced models for the PS3. It is uncertain how these price reductions will impact consumer demand for the platform. However, we expect net revenues from sales of titles for the PS3 to increase as the installed base of hardware grows. We have a robust slate of titles for the PS3 and expect net revenues from this platform to represent a larger proportion of total publishing net revenues for the remainder of fiscal 2008.

Sony PlayStation 2 Net Revenues (in thousands)

	September 30, 2007	% of Publishing Net Revenues	September 30, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 118,560	47%	\$ 56,044	45%	\$ 62,516	112%
Six Months Ended	265,427	39%	107,345	41%	158,082	147%

Net revenues from sales of titles and accessories (primarily consisting of hardware associated with *Guitar Hero II*) for the PS2 increased 112% from \$56.0 million for the three months ended September 30, 2006 to \$118.6 million for the three months ended September 30, 2007. For the six months ended September 30, 2007 net revenues from sales of titles for the PS2 were \$265.4 million, an increase of 147% from the six months ended September 30, 2006. The strong performance of *TRANSFORMERS: The Game* released in Europe and the release of *Guitar Hero: Rocks the 80s* in the second quarter of fiscal 2008, and continued strong sales of *Guitar Hero II* for PS2 contributed to the increase in PS2 net revenues. This compares to the release of an affiliate label title, LucasArts' *Lego Star Wars II: The Original Trilogy* in the second quarter of fiscal 2007. For the six months ended September 30, 2007, the increase in absolute dollars is primarily due to continued momentum for our fiscal 2007 third quarter title, *Guitar Hero II* for PS2 (game and accessories), as well as strong performance of our worldwide releases of *Spider-Man 3*, *Shrek the Third*, *Tony Hawk's Downhill Jam*, *Guitar Hero: Rocks the 80s*, and *TRANSFORMERS: The Game* during the six months ended September 30, 2007. This compares to the releases during the first six months of fiscal 2007 of our PS2 versions of *Over the Hedge*, *X-Men: The Official Game*, and *Lego Star Wars II: The Original Trilogy* in Europe. As a percentage of publishing net revenues, net revenues from the sale of titles for the PS2 increased from 45% to 47% for the quarters ended September 30, 2006 and 2007, respectively. The increase is the result of the release of *Guitar Hero: Rocks the 80s* exclusively on the PS2 in the second quarter of fiscal 2008. Net revenues from the sale of titles for the PS2 as a percentage of publishing net revenues decreased from 41% to 39% for the six months ended September 30, 2006 and 2007, respectively. This is due to the strong fiscal 2008 first quarter performance of the Xbox360 platform with the release of *Guitar Hero II* for Xbox360, and a shift to the next generation PS3 platform of 5% of total publishing net revenues.

Although we expect net revenues from sales of titles for the PS2 to decline over time as consumers transition to next generation platforms, we continue to expect significant net revenues for PS2 for fiscal 2008 as we plan to develop and release many of our key titles on this platform.

46

Microsoft Xbox360 Net Revenues (in thousands)

	September 30, 2007	% of Publishing Net Revenues	September 30, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 58,088	23%	\$ 18,285	14%	\$ 39,803	218%
Six Months Ended	208,693	31%	30,106	12%	178,587	593%

The Xbox360, the first of the next-generation hardware, was released in November 2005. For the three months ended September 30, 2007, net revenues from sales of titles for the Xbox360 increased to \$58.1 million from \$18.3 million for the three months ended September 30, 2006. Net revenues from sales of titles for the Xbox360 increased from \$30.1 million for the six months ended September 30, 2006 to \$208.7 million for the six months ended September 30, 2007. As a percentage of publishing net revenues, net revenues from the sale of titles for the Xbox360 increased from 14% to 23% for the quarter ended September 30, 2006 and 2007, respectively, and from 12% to 31% for the six months ended September 30, 2006 and 2007, respectively. The significant growth of the installed base since the introduction of the Xbox360 and our successful title releases contributed to the increase in Xbox360 net revenues. The increase in net revenues on the Xbox360 is the result from our Xbox360 release of *TRANSFORMERS: The Game* in Europe in the second quarter of fiscal 2008 and the continued net revenues from *Guitar Hero II* released in the first quarter of fiscal 2008. This compares to the release of the European affiliate title release of LucasArts' *Lego Star Wars II: The Original Trilogy* in the second quarter of fiscal 2007. We continued to increase our

presence in the Xbox360 by publishing *Guitar Hero II* (game and accessories), *Spider-Man 3*, *Shrek the Third*, and *TRANSFORMERS: The Game* during the first two quarters of fiscal 2008. For the same period of fiscal 2007, we released *X-Men: The Official Game* and *Lego Star Wars II: The Original Trilogy*.

Microsoft announced reduction of the retail price of Xbox360 by \$50 in the United States market and by 50 euros in European markets on August 2007. It is uncertain how this price reduction will impact consumer demand for the platform. However, we expect net revenues from sales of titles for the Xbox360 to increase significantly in fiscal 2008 as compared to fiscal 2007 due to the growing installed base and our strong slate of Xbox360 titles.

Nintendo Wii Net Revenues (in thousands)

	September 30, 2007	% of Publishing Net Revenues	September 30, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 13,115	5%	—	—%	\$ 13,115	n/a
Six Months Ended	45,814	7%	—	—%	45,814	n/a

The Nintendo Wii was released in November 2006 and quickly gained strong consumer acceptance due to its innovative technology and mass market appeal. We released *TRANSFORMERS: The Game* in Europe and a value title *Hot Wheels: Beat That!* for the Wii in the second quarter of fiscal 2008 which are the primary revenue drivers for the three months ended September 30, 2007. For the six months ended September 30, 2007, net revenues were derived from *Spider-Man 3*, *Shrek the Third*, *TRANSFORMERS: The Game*, *Hot Wheels: Beat That!* and continued catalog sales of our fiscal 2007 third quarter releases, *Call of Duty 3*, *Marvel: Ultimate Alliance*, *World Series of Poker: Tournament of Champions*, *Rapala Tournament Fishing*, and *Tony Hawk's Downhill Jam*.

We expect net revenues from sales of titles for the Wii to significantly increase with the growth of the installed based and our strong slate of key titles for fiscal 2008.

Hand-Held Net Revenues (in thousands)

	September 30, 2007	% of Publishing Net Revenues	September 30, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 39,070	15%	\$ 23,202	19%	\$ 15,868	68%
Six Months Ended	95,686	14%	49,786	19%	45,900	92%

Net revenues from sales of titles for hand-held platforms for the three and six months ended September 30, 2007 increased 68% and 92% from the same period of prior fiscal year. Net revenues increased from \$23.2 million and \$49.8 million for the three and six months ended September 30, 2006, respectively, to \$39.1 million and \$95.7 million for the three and six months ended September 30, 2007, respectively. The increase in absolute dollars is primarily due to the fiscal 2008 second quarter European releases of two products, *TRANSFORMERS: Decepticon* and *TRANSFORMERS: Autobots* exclusively on the NDS, *TRANSFORMERS: The Game* on the PSP, and the release of several value titles, *Animal Genius*, *Puppy Luv Spa & Resort*, and *Jewel Quest Expedition* on the NDS. Further, we released *Spider-Man 3*, *Shrek the Third*, and two products, *TRANSFORMERS: Decepticon* and *TRANSFORMERS: Autobots* exclusively on the NDS and *TRANSFORMERS: The Game* on the PSP in North America and Asia in the first quarter of fiscal 2008. This compares to the second quarter of fiscal 2007, when we had new releases of *World Series of Poker: Tournament of Champions* and *Rapala Trophies* in North America on the PSP and our European affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy* on the NDS and the GBA, and our first quarter fiscal 2007 releases of *Over the Hedge* and *X-Men: The Official Game* on the PSP and GBA.

With the installed base of the PSP and NDS continuing to increase, we expect that fiscal 2008 hand-held net revenues will continue to increase year over year.

Overall

The platform mix of our future publishing net revenues will likely be impacted by a number of factors, including the ability of hardware manufacturers to continue to increase their installed hardware base for the next-generation platforms, as well as the performance of key product releases. According to the NPD Group, Activision was the #2 third party publisher in the United States on next-generation platforms for the six months ended September 30, 2007. We expect that net revenues from console titles will continue to represent the largest component of our publishing net revenues with Xbox360 having the largest percentage of that business in fiscal 2008 due to its larger installed hardware base and our strong slate of titles. We expect significant growth in net revenues from PS3, Xbox360 and Wii next-generation console systems and a decrease in the percentage of PS2 business in fiscal 2008. Our net revenues from PC and hand-held titles will be primarily driven by our product release schedule.

A significant portion of our revenues and profits are derived from a relatively small number of popular titles and brands each year, so revenues and profits are significantly affected by our ability to release highly successful "hit" titles. For example, for the three months ended September 30, 2007, 58% of our consolidated net revenues and 72% of publishing net revenues were derived from net revenues from the releases of *Guitar Hero II* (including *Guitar Hero: Rocks the 80s*), *Spider-Man 3*, *Shrek the Third* and *TRANSFORMERS: The Game*. For the six months ended September 30, 2007, 67% of our consolidated net revenues and 80% of publishing net revenues were derived from net revenues from those same titles. Though many of our titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs, incremental net revenues directly and positively impact operating profits resulting in a disproportionate amount of operating income being derived from these select titles. We expect that a limited number of titles and brands will continue to produce a disproportionately large amount of our net revenues and profits.

Three key factors that could affect future publishing and distribution net revenue performance are console hardware pricing, software pricing, and transitions in console platforms. As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions. Reductions in the price of console hardware typically result in an increase in the installed base of hardware owned by consumers. Historically, we have also seen that lower console hardware prices put downward pressure on software pricing. However, we expect console software launch pricing for the Xbox360 and PS3 to hold at current levels as a result of the strong consumer acceptance of these price points that has occurred since the launch of the next-generation

platforms and the greater product capability and value of next generation titles. We continue to expect software pricing on the PS2 to hold at \$39.99 with continued momentum on this platform.

Distribution Net Revenues (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 63,987	20%	\$ 62,768	33%	\$ 1,219	2%
Six Months Ended	130,220	16%	116,075	31%	14,145	12%

Distribution net revenues for the three months ended September 30, 2007 increased 2% from the same period of the prior fiscal year. For the six months ended September 30, 2007 distribution net revenues increased 12% from the same period of prior fiscal year. Distribution net revenues as a percentage of consolidated net revenues decreased from 33% and 31% for the three and six months ended September 30, 2006, respectively, to 20% and 16% for the three and six months ended September 30, 2007, respectively, primarily due to the significant increase in publishing net revenues. Foreign exchange rates increased reported distribution net revenues by approximately \$4.7 million and \$9.8 million for the three months and six months ended September 30, 2007, respectively. Excluding the impact of changing foreign currency rates, distribution net revenues decreased 5% and increased 4% year over year from the three and six months ended September 30, 2006, respectively. The increase in absolute dollars of distribution net revenues for the three and six months ended September 30, 2007 is primarily due to the acquisition of a significant new customer and the effect of foreign currency rates, more than offsetting the termination of a significant customer at the end of July.

The mix of distribution net revenues between hardware and software sales varied slightly year over year with approximately 20% of distribution net revenues from hardware sales in the first two quarters of fiscal 2008 as compared to 16% in the prior year first two quarters. Prior year results included sales for the PSP, NDS, and Xbox360 hardware platforms. Current year first and second quarters net revenues included PS3, NDS, Wii, and Xbox360 hardware sales. The mix of future distribution net revenues will be driven by a number of factors including the occurrence of further hardware price reductions instituted by hardware manufacturers, and our ability to establish and maintain distribution agreements with hardware manufacturers, third-party software publishers and retail customers. For the remainder of fiscal 2008, we expect distribution net revenues to decrease in absolute dollars and as a percentage of consolidated net revenues when compared to fiscal 2007. This is a result of having exited a line of distribution business that was not meaningful to earnings and the strong growth of our publishing business.

Costs and Expenses

Cost of Sales – Product Costs (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 151,996	48%	\$ 127,374	68%	\$ 24,622	19%
Six Months Ended	369,225	45%	235,997	63%	133,228	56%

“Cost of sales – product costs” represented 48% and 68% of consolidated net revenues for the three months ended September 30, 2007 and 2006, respectively. \$0.4 million was not included in the “cost of sales – product costs” for the three months ended September 30, 2007 as a result of deferring “cost of sales – product costs.” The decrease in “cost of sales – product costs” as a percentage of consolidated net revenues is partially due to a higher percentage of net revenues for the three months ended September 30, 2007 relating to our publishing business which in general carries a lower percentage “cost of sales – product costs” than our distribution business. Further, the second quarter of fiscal 2008 publishing net revenues included a larger mix of next-generation product sales which carries a higher gross margin than the other console platforms. Net revenues from our publishing business were 80% of total net revenues for the three months ended September

30, 2007 as compared to 67% for the three months ended September 30, 2006. In absolute dollars, “cost of sales – product costs” increased 19% from \$127.4 million for the three months ended September 30, 2006 to \$152.0 million for the three months September 30, 2007. “Cost of sales – product costs” increased with the mix of our revenue growth in our publishing and distribution businesses.

“Cost of sales – product costs” represented 45% and 63% of consolidated net revenues for the six months ended September 30, 2007 and 2006, respectively. \$0.4 million was not included in the “cost of sales – product costs” for the six months ended September 30, 2007 as a result of deferring “cost of sales – product costs”. The decrease in “cost of sales – product costs” as a percentage of consolidated net revenues is partially due to a higher percentage of net revenues for the six months ended September 30, 2007 being attributable to our publishing business which in general carries a lower percentage “cost of sales – product costs” than our distribution business. Further, the first six months of fiscal 2008 publishing net revenues included a larger mix of next-generation product sales which carries a higher gross margin than the other console platforms. Net revenues from our publishing business composed 84% of total net revenues for the six months ended September 30, 2007 as compared to 69% of total net revenues for the six months ended September 30, 2006. In absolute dollars, “cost of sales – product costs” increased by \$133.2 million as compared to the first six months of fiscal 2007. “Cost of sales – product costs” increased with the mix of our revenue growth in our publishing and distribution businesses.

We expect “cost of sales – product costs” as a percentage of consolidated net revenues for fiscal 2008 to be lower than fiscal 2007 due to a larger portion of our business being derived from the publishing segment and the continued migration of consumers to next generation products.

Cost of Sales – Software Royalties and Amortization (in thousands)

	<u>September 30, 2007</u>	<u>Publishing Net Revenues</u>	<u>September 30, 2006</u>	<u>Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Three Months Ended	\$ 38,427	15%	\$ 9,348	7%	\$ 29,079	311%
Six Months Ended	116,679	17%	28,609	11%	88,070	308%

“Cost of sales – software royalties and amortization” as a percentage of publishing net revenues increased from 7% for the three months ended September 30, 2006 to 15% for the three months ended September 30, 2007 and from 11% for the six months ended September 30, 2006 to 17% for the six months ended September 30, 2007. In absolute dollars, “cost of sales – software royalties and amortization” increased 311% from \$9.3 million for the three months ended September 30, 2006 to \$38.4 million for the three months ended September 30, 2007. For the six months ended September 30, 2007 “cost of sales – software royalties and amortization” increased to \$116.7 million or by 308% compared to the same period of fiscal 2007. \$4.0 million was not included in the “cost of sales – software royalties and amortization” for the three and six months ended September 30, 2007 as a result of deferring “cost of sales – software royalties and amortization.” The increase in absolute dollars and the increase as a percentage of publishing net revenues, for the three and six months ended September 30, 2007, is primarily driven by a larger slate of titles in our publishing business versus the same period of prior year. For the first six months of fiscal 2008, we launched *Spider-Man 3*, *Guitar Hero II* for the Xbox360, *Shrek the Third*, and *TRANSFORMERS: The Game*, as compared to the first quarter fiscal 2007 releases of *Over the Hedge* and *X-Men: The Official Game*, and the second quarter of fiscal 2007 release of *Lego Star Wars II: The Original Trilogy* in Europe. Additionally, our publishing business was a larger portion of our overall consolidated net revenues in relation to our distribution business, which drove a higher level of “cost of sales – software royalties and amortization”, given that this is a significant cost component of our publishing business.

For fiscal 2008, we expect “costs of sales – software royalties and amortization” as a percentage of publishing net revenues to be in line with fiscal 2007 levels.

50

Cost of Sales – Intellectual Property Licenses (in thousands)

	<u>September 30, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>September 30, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Three Months Ended	\$ 14,533	6%	\$ 4,356	3%	\$ 10,177	234%
Six Months Ended	47,012	7%	14,272	5%	32,740	229%

“Cost of sales – intellectual property licenses” increased 234% from \$4.4 million or 3% of publishing net revenues for the three months ended September 30, 2006 to \$14.5 million or 6% of publishing net revenues for the three months ended September 30, 2007. “Cost of sales – intellectual property licenses” increased in both absolute dollars and as a percentage of publishing net revenues from \$14.3 million or 5% of publishing net revenues to \$47.0 million or 7% of publishing net revenues for the six months ended September 30, 2006 and 2007, respectively. \$1.4 million was not included in the “cost of sales – intellectual property licenses” for the three and six months ended September 30, 2007 as a result of deferring “cost of sales – intellectual property licenses.”

The increases in absolute dollars for both the three and six month periods ended September 30, 2007 were primarily the result of the releases of *TRANSFORMERS: The Game* in Europe in the second quarter of fiscal 2008, and amortization of intellectual property licenses expenses relating to *Spider-Man 3* and *Shrek the Third* released worldwide in the first quarter fiscal 2008 and *TRANSFORMERS: The Game* released in North America and Asia in first quarter fiscal 2008. This compares to titles associated with intellectual property released in the first quarter of fiscal 2007, *Over the Hedge* and *X-Men: The Official Game*. The increase in “cost of sales – intellectual property licenses” as a percentage of publishing net revenues was due to the increased number of titles with intellectual property costs released in the three and six months periods ended September 30, 2007 when compared to the three and six months periods ended September 30, 2006.

Product Development (in thousands)

	<u>September 30, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>September 30, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Three Months Ended	\$ 33,085	13%	\$ 25,608	20%	\$ 7,477	29%
Six Months Ended	65,982	10%	51,233	20%	14,749	29%

Product development expenses for the three months ended September 30, 2007 increased 29%, from \$25.6 million to \$33.1 million, as compared to the three months ended September 30, 2006. For the six months ended September 30, 2007 product development expenses increased \$14.7 million, or 29%, from \$51.2 million for the six months ended September 30, 2006 to \$66.0 million for the six months ended September 30, 2007. As a percentage of publishing net revenues, product development expenses decreased from 20% for the three and six months ended September 30, 2006, respectively, to 13% and 10% for the three and six months ended September 30, 2007, respectively. This is primarily due to more consumers migrating to the next-generation console platforms, where we are able to charge premium pricing, and our successful titles in the next-generation console platforms. As a result, the growth in publishing net revenues outweighed the increase in product development expenses. The increase in absolute dollars primarily resulted from higher development, quality assurance, and outside developer costs incurred during the first two quarters of fiscal 2008 to support the greater number of titles in development and the more technologically advanced nature of those titles.

We expect product development costs for fiscal 2008 to be higher in absolute dollars than fiscal 2007, although lower as a percentage of publishing net revenues, due to the increased costs related to developing more technologically advanced titles for the next-generation console systems offset by the more than proportionate projected increase in publishing net revenues. Over time, we intend to decrease the development costs of the next-generation console systems by leveraging technologies and tools across multiple platforms, increasing our development schedules to facilitate a longer pre-production phase and more predictable workflow times, and increasing the amount of game development in lower cost locations.

51

Sales and Marketing (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 51,868	16%	\$ 32,550	17%	\$ 19,318	59%
Six Months Ended	120,580	15%	68,729	18%	51,851	75%

Sales and marketing expenses for the three months ended September 30, 2007 increased 59%, from \$32.6 million to \$51.9 million, as compared to the three months ended September 30, 2006. For the six months ended September 30, 2007, sales and marketing expenses increased \$51.9 million, or 75%, from \$68.7 million for the six months ended September 30, 2006 to \$120.6 million for the six months ended September 30, 2007. As a percentage of publishing net revenues, sales and marketing expenses decreased from 17% and 18% for the three and six months ended September 30, 2006, respectively, to 16% and 15% for the three and six months ended September 30, 2007, respectively. The increases in absolute dollars were a result of higher spending associated with the larger fiscal 2008 first and second quarter releases which included three major movie-based releases, *Spider-Man 3* and *Shrek the Third* worldwide releases in the first quarter of fiscal 2008, and *TRANSFORMERS: The Game* released in North America and Asia in the first quarter of fiscal 2008 and in Europe in the second quarter of fiscal 2008. This compares to the same period of the prior fiscal year which included *Over the Hedge* and *X-Men: The Official Game* in the first quarter of fiscal 2007, and our European release of *Lego Star Wars II: The Original Trilogy* in the second quarter of fiscal 2007.

We expect sales and marketing expenses to be higher on both an absolute basis and as a percentage of consolidated net revenues for the remainder of fiscal 2008 versus the comparable period of fiscal 2007 due to a larger slate and our anticipation of a highly competitive environment during the upcoming holiday season.

General and Administrative (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 37,382	12%	\$ 26,346	14%	\$ 11,036	42%
Six Months Ended	73,176	9%	48,260	13%	24,916	52%

General and administrative expenses for the three months ended September 30, 2007 increased 42%, from \$26.3 million to \$37.4 million, as compared to the three months ended September 30, 2006. For the six months ended September 30, 2007, general and administrative expenses increased \$24.9 million, or 52%, from \$48.3 million for the six months ended September 30, 2006 to \$73.2 million for the six months ended September 30, 2007, respectively. As a percentage of consolidated net revenues, general and administrative expenses decreased from 14% and 13% for the three and six months ended September 30, 2006, respectively, to 12% and 9% for the three and six months ended September 30, 2007, respectively. Expenses were higher than prior periods primarily due to an increase in headcount related costs, higher legal and professional fees, the consolidation of RedOctane and DemonWare (acquired in June 2006 and May 2007, respectively) into our results of operations for the quarter, amortization of intangible assets related to the acquisitions and the impact of changes in foreign currency rates.

Operating Income (Loss) (in thousands)

	Three Months Ended September 30, 2007	% of Segment Net Revs.	Three Months Ended September 30, 2006	% of Segment Net Revs.	Increase/ (Decrease)	Percent Change
Publishing	\$ (9,667)	(4)%	\$ (36,607)	(29)%	\$ 26,940	74%
Distribution	122	—%	(803)	(1)%	925	115%
Consolidated	\$ (9,545)	(3)%	\$ (37,410)	(20)%	\$ 27,865	74%

	Six Months Ended September 30, 2007	% of Segment Net Revs.	Six Months Ended September 30, 2006	% of Segment Net Revs.	Increase/ (Decrease)	Percent Change
Publishing	\$ 19,449	3%	\$ (68,125)	(26)%	\$ 87,574	129%
Distribution	1,098	1%	(2,734)	(2)%	3,832	140%
Consolidated	\$ 20,547	3%	\$ (70,859)	(19)%	\$ 91,406	129%

Publishing operating loss for the three months ended September 30, 2007 decreased \$26.9 million or 74% from the same period prior fiscal year, from \$36.6 million to \$9.7 million, while the percentage of operating loss to segment net revenues decreased from 29% to 4%. For the six months ended September 30, 2007 publishing operating income increased \$87.6 million from the same period prior fiscal year, from an operating loss of \$68.1 million to operating income of \$19.5 million. These increases in operating income are primarily attributable to:

- Stronger performance of our title releases for the first three and six months ended September 30, 2007.
- Faster growth in our publishing segment, which in general has a higher operating margin than our distribution segment.
- Cost control relative to significant growth in net revenues.

Partially offset by:

- Higher “cost of sales – software royalties and amortization” and “cost of sales – intellectual property licenses” associated with our larger fiscal 2008 slate of titles for the three and six months ended September 30, 2007.
- Higher “general and administrative” costs due to the increased headcount in our international geographies and at Red Octane, and higher legal and professional fees.

For the three months ended September 30, 2007 distribution operating income was \$0.1 million or 0% of segment net revenues, which compares to operating loss of \$0.8 million or (1)% of segment net revenues for the three months ended September 30, 2006. For the six months ended September 30, 2007 distribution operating income was \$1.1 million or 1% of segment net revenues, which compares to operating loss of \$2.7 million or (2)% of segment net revenues for the six months ended September 30, 2006. The results from distribution business have improved primarily due to the strong performance of Activision titles for the three and six months ended September 30, 2007, lower required reserves for returns and price protection, and a lower percentage of net revenues being comprised of hardware sales, which is a lower margin category when compared to sales of software.

Investment Income, Net (in thousands)

	September 30, 2007	% of Consolidated Net Revenues	September 30, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 12,132	4%	\$ 8,032	4%	\$ 4,100	51%
Six Months Ended	23,694	3%	16,307	5%	7,387	45%

Net investment income for the three months ended September 30, 2007 was \$12.1 million as compared to \$8.0 million for the three months ended September 30, 2006. Net investment income for the six months ended September 30, 2007 increased \$7.4 million from \$16.3 million for the six months ended September 30, 2006 to \$23.7 million for the six months ended September 30, 2007. The increases in both the three and six months ended September 30, 2007 as compared to the three and six months ended September 30, 2006 are mainly due to higher interest rates combined with higher average balances of cash and short term investments period over period.

Provision for Income Taxes (in thousands)

	September 30, 2007	% of Pretax Income	September 30, 2006	% of Pretax Income	Increase/ (Decrease)	Percent Change
Three Months Ended	\$ 1,889	73%	\$ (5,076)	17%	\$ 6,965	137%
Six Months Ended	15,717	36%	(11,941)	22%	27,658	232%

The income tax provision of \$1.9 million for the three months ended September 30, 2007 reflects our effective income tax rate for the quarter of 73.0%, and the income tax provision of \$15.7 million for the six months ended September 30, 2007 reflects our estimated effective income tax rate of 35.5% for the six months ended September 30, 2007. Due to our relatively small net income before tax provision for the three months ended September 30, 2007, small changes in discrete items resulted in a large impact on our effective income tax rate for the quarter ended September 30, 2007. The significant items that generated the variance between our effective rate for the three months ended September 30, 2007 and our statutory rate of 35% were federal and state research and development tax credits, the impact of foreign tax rate differentials, and the federal deduction for domestic production activities, partially offset by state taxes and the impact of a decrease in the tax benefit of deferred tax assets on the books of our UK affiliates due to the recent enactment of a decrease in the UK statutory tax rate.

The aforementioned effective income tax rate for the quarter of 73.0% differs from our effective income tax rate of 17.3% for the three months ended September 30, 2006 due to an increase in anticipated pretax income for fiscal 2008 determined at September 30, 2007 versus the anticipated pretax income for fiscal 2007 determined at September 30, 2006, without a corresponding increase in the benefit of book/tax differences, in addition to the impact of a decrease in the tax benefit of deferred tax assets on the books of our UK affiliates due to the recent enactment of a decrease in the UK statutory tax rate.

The income tax benefit of \$5.1 million for the three months ended September 30, 2006 reflects our effective income tax rate for the quarter of 17.3%, which differs from our effective tax rate of 21.9% for the year ended March 31, 2007 due to (1) an increase in the federal research and development credit for the full year ended March 31, 2007 over the amount originally anticipated for the year at September 30, 2006 due to the Congressional reinstatement of the federal R&D credit in quarter ended December 31, 2006; and (2) the elimination of the valuation allowance for research and development tax credits, partially offset by the nondeductible portion of annual cash bonuses determined in the three months ended March 31, 2007 under Section 162(m), and the establishment of tax reserves for these credits and other deferred tax assets. The significant items that generated the variance between our effective rate and our statutory rate of 35% for the three months ended September 30, 2006 were research and development tax credits for state purposes, and the impact of foreign tax rate differentials, partially offset by state taxes.

Net Income (Loss)

Net income for the three months ended September 30, 2007 was \$0.7 million or \$0.00 per diluted share, as compared to net loss of \$24.3 million or \$0.09 loss per share for the three months ended September 30, 2006.

Net income for the six months ended September 30, 2007 was \$28.5 million or \$0.09 per diluted share, as compared to net loss of \$42.6 million or \$0.15 loss per share for the six months ended September 30, 2006.

Liquidity and Capital Resources

Sources of Liquidity (in thousands)

	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Cash and cash equivalents	\$ 392,529	\$ 384,409	\$ 8,120
Short-term investments	569,231	570,440	(1,209)
	<u>\$ 961,760</u>	<u>\$ 954,849</u>	<u>\$ 6,911</u>
Percentage of total assets	49%	53%	

	For the Six Months ended September 30, 2007	For the Six Months ended September 30, 2006	Increase/ (Decrease)
Cash flows provided by (used in) operating activities	\$ 46,399	\$ (169,271)	\$ 215,670
Cash flows used in investing activities	(81,900)	(16,870)	(65,030)
Cash flows provided by financing activities	38,403	16,327	22,076

As of September 30, 2007, our primary source of liquidity is comprised of \$392.5 million of cash and cash equivalents and \$569.2 million of short-term investments. Over the last two years, our primary sources of liquidity have included cash on hand at the beginning of the year and cash flows generated from continuing operations. We have also generated significant cash flows from the issuance of our common stock to employees through the exercise of options which is described in more detail below in "Cash Flows from Financing Activities." We have not utilized debt financing as a significant source of cash flows. However, we do have credit facilities available at certain of our international locations, which are described below in "Credit Facilities," that can be utilized if needed.

Our investment portfolio consists of government and corporate securities with effective maturities less than 30 months. The longer the term or holding period of the securities, the more susceptible they are to changes in market rates of interest, yields on bonds, and market price volatility. Investments are reviewed periodically to identify possible impairment. When evaluating the investments, we review factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, and our ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. Gross unrealized losses of \$0.8 million and \$1.5 million as of September 30, 2007 and March 31, 2007, respectively, were comprised mostly of unrealized losses on U.S. agency issues, commercial paper, corporate bonds, and mortgage-backed securities. We have the intent and ability to hold these securities for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the initial cost of the investment. We expect to realize the full value of all of these investments upon maturity or sale.

We believe that we have sufficient working capital (\$1,053.6 million at September 30, 2007), in combination with proceeds available from our international 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, and the acquisition of intellectual property rights for future products from third parties.

Cash Flows from Operating Activities

The primary drivers of cash flows from operating activities typically have included the collection of customer receivables generated by the sale of our products, offset by payments to vendors for the manufacture, distribution and marketing of our products, third-party developers and intellectual property holders and our own employees. A significant operating use of our cash relates to our continued investment in software development and intellectual property licenses. We spent approximately \$88.8 million and \$84.6 million in the six months ended September 30, 2007 and 2006, respectively, primarily in connection with internal development efforts and in support of third-party developers for our business. 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 below in "Commitments." Cash flows from operations are affected by our ability to release highly successful, or "hit," titles. Though many of these titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs, incremental net revenues typically will directly and positively impact cash flows.

For the six months ended September 30, 2007, cash flow provided by operating activities was \$46.4 million as compared to cash flow used in operating activities of \$169.3 million for the six months ended September 30, 2006. The principal components comprising the increased cash flows from operating activities for the six months ended September 30, 2007 included a decrease in accounts receivables as a result of stronger collections and an increase in accounts payable partially offset by the increase in inventory for upcoming holiday season releases. An analysis of the change in key balance sheet accounts is below in "Key Balance Sheet Accounts." We expect that a primary source of future liquidity, both short-term and long-term, will be the result of cash flows from continuing operations.

Cash Flows from Investing Activities

The primary drivers of cash used in investing activities typically have included capital expenditures, acquisitions of privately held interactive software development 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.

For the six months ended September 30, 2007 and 2006, cash flows used in investing activities were \$81.9 million and \$16.9 million, respectively. For the six months ended September 30, 2007, cash flows used in investing activities were primarily the result of capital expenditures, cash paid for acquisitions, and purchases of short-term investments partially offset by proceeds from sales and maturities of short-term investments. We have historically financed our acquisitions through the issuance of shares of our common stock, cash or a combination of our common stock and cash. We will continue to evaluate potential acquisition candidates as to the benefit they bring to us.

The primary sources of cash provided by financing activities have historically related to transactions involving our common stock, including the issuance of shares of our common stock to employees. We have not utilized debt financing as a significant source of cash flows. However, we do have available credit facilities at certain of our international locations, which are described below in "Credit Facilities," that can be utilized if needed.

For the six months ended September 30, 2007 and 2006, cash flows from financing activities were \$38.4 million and \$16.3 million, respectively. The cash provided by financing activities for the six months ended September 30, 2007 primarily is the result of the issuance of our common stock related to employee stock option and stock purchase plans. The increase in cash provided by financing activities is due to increase in stock option exercises during the six months ended September 30, 2007.

During fiscal 2003, our Board of Directors authorized a buyback program under which we can repurchase up to \$350.0 million of our common stock. Under the program, shares may be purchased as determined by management and within certain guidelines, from time to time, in the open market or in privately negotiated transactions, including privately negotiated structured stock repurchase transactions and through transactions in the options markets. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time to time without prior notice. As of September 30, 2007, we

had approximately \$226.2 million available for utilization under the buyback program. We actively manage our capital structure as a component of our overall business strategy. Accordingly, in the future, when we determine that market conditions are appropriate, we may seek to achieve long term value for the shareholders through, among other things, new debt or equity financings or refinancings, share repurchases and other transactions involving our equity or debt securities.

Key Balance Sheet Accounts

Accounts Receivable

(amounts in thousands)	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Gross accounts receivable	\$ 216,344	\$ 240,112	\$ (23,768)
Net accounts receivable	109,725	148,694	(38,969)

The decrease in gross accounts receivable was primarily the result of collecting receivables related to the March 2007 launch of the PS3 in Europe.

The decrease in net accounts receivable from \$148.7 million at March 31, 2007 to \$109.7 million at September 30, 2007, was greater than the decrease in gross accounts receivable due to the increase in reserves for returns, price protection, and bad debt from \$91.4 million at March 31, 2007 to \$106.6 million at September 30, 2007. Reserves for returns and price protection are a function of the number of units and pricing of titles in retail inventory (see description of *Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence* in Item 2: Critical Accounting Policies and Estimates).

Inventories

(amounts in thousands)	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Inventories	\$ 189,033	\$ 91,231	\$ 97,802

The increase in inventories at September 30, 2007 compared to March 31, 2007 is the result of additional inventories to support third quarter fiscal 2008 title releases such as *Guitar Hero III*.

Software Development

(amounts in thousands)	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Software development	\$ 144,669	\$ 130,922	\$ 13,747

Software development increased from \$130.9 million at March 31, 2007 to \$144.7 million at September 30, 2007. The effect of deferring "cost of sales – software royalties and amortization" increased software development by \$4.0 million. The increase in software development was primarily the result of an increase in capitalization of third quarter fiscal 2008 titles releases and stock option expenses which was partially offset by the amortization of our movie-related titles released, such as *Spider-Man 3*, *Shrek the Third*, and *TRANSFORMERS: The Game* during the six months ended September 30, 2007.

Intellectual Property Licenses

(amounts in thousands)	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Intellectual property licenses	\$ 81,790	\$ 100,274	\$ (18,484)

Intellectual property licenses decreased from \$100.3 million at March 31, 2007 to \$81.8 million at September 30, 2007. The effect of deferring “cost of sales – intellectual property licenses” increased intellectual property licenses by \$1.4 million. The decrease in intellectual property licenses primarily result from the amortization of intellectual property licenses upon releases of titles during the first six months of fiscal 2008.

Accounts Payable

(amounts in thousands)	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Accounts payable	\$ 158,059	\$ 136,517	\$ 21,542

The increase in accounts payables of \$21.5 million from March 31, 2007 to September 30, 2007 primarily reflects increased inventory purchases to support increased holiday sales volume in both our publishing and distributing segments.

Accrued Expenses and Other Liabilities

(amounts in thousands)	September 30, 2007	March 31, 2007	Increase/ (Decrease)
Accrued expenses and other liabilities	\$ 255,266	\$ 204,652	\$ 50,614

The increase in accrued expenses was primarily due to the reclassification of a long-term liability to a current liability of \$39.0 million of deferred consideration related to the acquisition of RedOctane, Inc. payable before June 6, 2008 in our common stock, and the increase in accruals for marketing and royalties related to first quarter 2008 title releases which was partially offset by the payment of accrued taxes payable.

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 12.0 million (\$24.5 million), including issuing letters of credit, on a revolving basis as of September 30, 2007. The UK Facility bore interest at LIBOR plus 2.0% as of September 30, 2007, is collateralized by substantially all of the assets of the subsidiary and expires in January 2008. The UK Facility also 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 EUR 0.5 million (\$0.7 million) as of September 30, 2007, 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, 2007.

As of September 30, 2007, we maintained a \$40.0 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, 2007, the \$40.0 million deposit is included in short-term investments as restricted cash. No borrowings were outstanding as of September 30, 2007.

As of September 30, 2007, our publishing subsidiary located in the UK maintained a EUR 4.0 million (\$5.7 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 2008. No borrowings were outstanding as of September 30, 2007.

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, based upon contractual arrangements. Typically, the payments to third-party developers are conditioned upon the achievement by the developers of contractually specified development milestones. 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 right 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, 2007, are scheduled to be paid as follows (amounts in thousands):

Fiscal year ending March 31,	Contractual Obligations(1)			
	Facility and Equipment Leases	Developer and IP	Marketing	Total
2008 (remaining six months)	\$ 9,268	\$ 29,080	\$ 8,741	\$ 47,089
2009	19,265	55,572	46,015	120,852
2010	17,454	23,036	11,100	51,590
2011	15,045	30,586	13,100	58,731
2012	10,772	16,586	—	27,358
Thereafter	41,879	47,587	—	89,466
Total	\$ 113,683	\$ 202,447	\$ 78,956	\$ 395,086

(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

Financial Disclosure

We maintain internal controls over financial reporting, which generally include 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 September 2006, the FASB issued Statement No. 157 (“SFAS No. 157”), *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not expect that the adoption of SFAS No. 157 will have a material effect on our financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (“SFAS No. 159”). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The provisions of SFAS No. 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We are evaluating if we will adopt the fair value option of SFAS No. 159 and what impact the adoption will have on our Consolidated Financial Statements if we adopt.

In June 2007, the FASB ratified the Emerging Issues Task Force’s (“EITF”) consensus conclusion on EITF 07-03, “*Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development*.” EITF 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under this conclusion, an entity is required to defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. EITF 07-03 is effective for interim or annual reporting periods in fiscal years

beginning after December 15, 2007 and requires prospective application for new contracts entered into after the effective date. We do not expect the adoption of EITF 07-03 to have a material impact on our Consolidated Financial Statements.

Factors Affecting Future Performance

In connection with the Private Securities Litigation Reform Act of 1995 (the “Litigation Reform Act”), we are hereby disclosing certain cautionary information to be used in connection with written materials (including this Quarterly Report on Form 10-Q) and oral statements made by or on behalf of our employees and representatives that may contain “forward-looking statements” within the meaning of the Litigation Reform Act. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as “may,” “expect,” “anticipate,” “estimate,” or “continue” or the negative thereof or other variations thereon or comparable terminology. You are cautioned that all forward-looking statements are necessarily speculative and there are numerous risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. These forward-looking statements are subject to business, economic and legal risks and reflect management’s current expectations and are inherently uncertain and difficult to predict. For a discussion that highlights some of the more important risks identified by management, but which should not be assumed to be the only factors that could affect future performance, see the discussion under the heading “Risk Factors”, included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2007, which is incorporated herein by reference and subsequent filings with the SEC. You are cautioned that we do not have a policy of updating or revising forward-looking statements, and thus you should not assume that silence by the Company over time means that actual events are bearing out as estimated in such forward-looking statements.

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 our interest rate risk by maintaining an investment portfolio consisting primarily of debt instruments with high credit quality and relatively short average maturities generally between three and thirty months. We also manage our interest rate risk by maintaining sufficient cash and cash equivalent balances such that we are typically able to hold our investments to maturity. As of September 30, 2007, our cash equivalents and short-term investments included debt securities and certificates of deposit of \$724.0 million.

The following table presents the amounts and related weighted average interest rates of our investment portfolio as of September 30, 2007 (amounts in thousands):

	Average Interest Rate		Amortized Cost		Fair Value
Cash equivalents:					
Fixed rate	5.77%	\$	52,317	\$	52,301
Variable rate	5.24%		143,384		143,384
Short-term investments:					
Fixed rate	5.37%	\$	528,828	\$	528,318

61

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, particularly the EUR, GBP and AUD. The volatility of the EUR, GBP and AUD (and all other applicable currencies) will be monitored frequently throughout the coming year. When appropriate, we enter into hedging transactions in order to mitigate our risk from foreign currency fluctuations. We will continue to use hedging programs in the future and may use currency forward contracts, currency options and/or other derivative financial instruments commonly utilized 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. As of September 30, 2007, we had outstanding foreign currency exchange forward contracts of approximately \$33.7 million. In addition, accrued expenses included approximately \$677,000 of pre-tax unrealized losses for the estimated fair value of outstanding foreign currency exchange forward contracts, which was recorded in earnings as the contracts did not qualify as hedging instruments.

Item 4. 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 ensure that: (i) information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) information is accumulated and communicated to management, including our Chief Executive Officers and Chief 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, not absolute, 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 Chief Executive Officers and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2007. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2007, our Chief Executive Officers and Chief Financial Officer concluded that, as of such date, 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 or submits under the Exchange Act is recorded, processed, summarized, and reported on a timely basis.

3) Changes in Internal Control Over Financial Reporting.

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the quarter ended September 30, 2007 that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

62

Item 1. Legal Proceedings

In July 2006, individuals and/or entities claiming to be stockholders of the Company filed derivative lawsuits, purportedly on behalf of the Company, against certain current and former members of the Company's Board of Directors as well as several current and former officers of the Company. Three derivative actions have been 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 have been consolidated by the court under the caption *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Master File No. SC090343 (West, J.). Two derivative actions have been 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); and *Hamian v. Kotick, et al.*, C.D. Cal. Case No. CV06-5375 MRP (JLTx) (filed August 25, 2006). These actions have also been 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 allege, among other things, purported improprieties in the Company's issuance of stock options. Plaintiffs seek various relief on behalf of the Company, 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. The Company expects that defense expenses associated with the matters will be covered by its directors and officers insurance, subject to the terms and conditions of the applicable policies.

On May 24, 2007, the Superior Court granted the Company's motion to stay the state action. The court's order stays the action pending the resolution of motions to dismiss in the federal action, but is without prejudice to any party's right to seek modification of the stay upon a showing of good cause, including a showing that matters may be addressed in the Superior Court without the potential for conflict with or duplication of the federal court proceedings. On July 13, 2007, Plaintiffs filed their second amended complaint, which alleges substantially the same claims as the previous complaints, with new allegations related to Plaintiffs' standing, recent public facts and additional analyses. The parties are briefing the threshold issues and a hearing on them is scheduled for November 7, 2007.

The Company filed motions to dismiss in the federal action on June 1, 2007. A hearing on the motions has been continued to December 3, 2007.

The Company was also informed that, on June 1, 2007, a derivative case, *Abdelnur vs. Kotick et al.*, was filed in the United States District Court for the Central District of California, C.D. Case No. CV07-3575 AHM (PJWx), by the same law firm that previously filed the *Hamian* case, alleging substantially the same claims. The action has now been consolidated with the existing federal consolidated action and the motions to dismiss filed June 1, 2007 have been deemed to have also been filed in response to the *Abdelnur* complaint.

On July 18, 2007, the Company was informed that another derivative case, *Scarborough v. Kotick et al.*, was filed in the United States District Court for the Central District of California, Case No. CV07-4602 SVW (PLAx), also by the same law firm that previously filed the *Hamian* case, alleging substantially the same claims. This action has been consolidated with the federal consolidated case. The parties attended a mediation related to the consolidated federal case on November 1, 2007.

On July 24, 2006, the Company received a letter of informal inquiry from the SEC requesting certain documents and information relating to the Company's historical stock option grant practices. Thereafter, the SEC issued a formal order of non-public investigation, pursuant to which it has subpoenaed documents from the Company related to the investigation, and has subpoenaed testimony and documents from certain current and former directors, officers and employees of the Company.

The Company is cooperating with the SEC's investigation, and representatives of the special subcommittee of independent members of our Board of Directors established in July 2006 to review our historical stock option granting practices (the "Special Subcommittee") and its legal counsel have met with members of the staff of the SEC on several occasions, in person and by telephone (as has the Company's

outside legal counsel), to discuss the progress of the Special Subcommittee's investigation and to brief the SEC staff on the Special Subcommittee's findings and recommendations. A representative of the U.S. Department of Justice has attended certain of these meetings and requested copies of certain documents that we have provided to the staff of the SEC. At this time, the Company has not received any grand jury subpoenas or written requests from the Department of Justice.

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 4. Submission of Matters to a Vote of Security Holders

We held our 2007 Annual Meeting of the Stockholders on September 27, 2007 in Beverly Hills, California. The following five items were submitted to a vote of the stockholders:

1. the election of eight directors to hold office until the next annual meeting of Activision's stockholders and until their respective successors are duly elected and qualified;
2. the approval of the Activision, Inc. 2007 Incentive Plan;
3. the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2008;
4. the approval of a stockholder proposal regarding diversity of our Board of Directors; and
5. the approval of a stockholder proposal regarding a stockholder advisory vote on executive compensation.

All eight director nominees, each of whom was then a member of the Board of Directors and was recommended by the Board, were elected. Set forth below are the results of the voting,

	<u>For</u>	<u>Withheld</u>
Robert A. Kotick	244,668,136	14,158,909
Brian G. Kelly	245,266,960	13,560,085
Ronald Doornink	199,210,084	59,616,961
Robert J. Corti	203,754,925	55,072,120
Barbara S. Isgur	96,455,116	162,371,929
Robert J. Morgado	95,555,580	163,271,465
Peter J. Nolan	104,540,039	154,287,006
Richard Sarnoff	252,327,419	6,499,626

64

The Activision, Inc. 2007 Equity Incentive Plan was approved. Set forth below are the results of the voting.

<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Not Voted</u>
149,122,526	84,842,138	410,763	24,451,618

The selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ended March 31, 2008 was approved. Set forth below are the results of the voting.

<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Not Voted</u>
256,924,900	1,409,136	493,009	—

The stockholder proposal regarding diversity on our Board of Directors was not approved. Set forth below are the results of the voting.

<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Not Voted</u>
22,777,548	193,625,462	17,972,417	24,451,618

The stockholder proposal regarding a stockholder advisory vote on executive compensation was approved. Set forth below are the results of the voting.

<u>For</u>	<u>Against</u>	<u>Abstained</u>	<u>Not Voted</u>
156,125,135	68,188,924	10,061,368	24,451,618

Item 5. Other Information

Pursuant to an agreement dated September 12, 2007, Nintendo of America Inc. (“Nintendo”) and Activision Publishing, Inc., a wholly owned subsidiary of the Company and the Company’s principal operating subsidiary, entered into a Confidential License Agreement for the Wii Console (Western Hemisphere), which is filed herewith as Exhibit 10.9. Pursuant to the agreement, Nintendo has granted to Activision Publishing a nonexclusive license to use intellectual property rights of Nintendo to develop, manufacture, advertise, market and sell video game software for the Wii Console until October 12, 2009 (subject to earlier termination in certain events). Under the agreement, Nintendo has the right to approve each game, including the artwork and the printed materials distributed with the game. The amounts to be paid by Activision Publishing to Nintendo under the agreement will be based on Nintendo’s then current pricing schedule, and will include a royalty for the use of Nintendo’s intellectual property rights.

Pursuant to an amendment dated July 16, 2007, filed herewith as Exhibit 10.6, Activision Publishing and Nintendo have extended the term of the parties’ October 11, 2004 Confidential License Agreement for Nintendo DS (Western Hemisphere) for an additional two years, to October 10, 2009.

65

Item 6. Exhibits

(a) Exhibits

- | | |
|-----|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Activision Holdings, dated June 9, 2000 (incorporated by reference to Exhibit 2.5 of Activision’s Form 8-K, filed June 16, 2000). |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Activision Holdings dated as of June 9, 2000 (incorporated by reference to Exhibit 2.7 of Activision’s Form 8-K, filed June 16, 2000). |
| 3.3 | Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated as of December 27, 2001 (incorporated by reference to Exhibit 3.4 of Activision’s Form 10-Q for the quarter ended December 31, 2001). |
| 3.4 | Certificate of Amendment of Amended and Restated Certificate of Incorporation, as amended, of Activision, Inc., |

- dated as of April 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed April 5, 2005).
- 3.5 Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated August 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed August 5, 2005).
- 3.6 Third Amended and Restated By-Laws of Activision, Inc., dated September 27, 2007 (incorporated by reference to Exhibit 3.6 to the Company's Registration Statement on Form S-8, Registration No. 333-146431, filed October 1, 2007).
- 4.1 Rights Agreement dated as of April 18, 2000, between Activision, Inc. and Continental Stock Transfer & Trust Company, which includes as exhibits the form of Right Certificates as Exhibit A, the Summary of Rights to Purchase Series A Junior Preferred Stock as Exhibit B and the form of Certificate of Designation of Series A Junior Preferred Stock of Activision as Exhibit C, (incorporated by reference to Activision's Registration Statement on Form 8-A, Registration No. 001-15839, filed April 19, 2000).
- 10.1 Confidential License Agreement for the Nintendo DS (Western Hemisphere), dated as of October 11, 2004, between Nintendo Co., Ltd. and Activision Publishing, Inc.
- 10.2 Notice of Share Option Award to Robin Kaminsky, dated as of October 19, 2006.
- 10.3 Notice of Share Option Award to Robin Kaminsky, dated as of October 19, 2006.
- 10.4 Notice of Restricted Stock Award to Robin Kaminsky, dated as of October 19, 2006.

66

- 10.5 Notice of Restricted Stock Award to Robin Kaminsky, dated as of October 19, 2006.
- 10.6 First Amendment to Confidential License Agreement for Nintendo DS (Western Hemisphere), dated as of July 16, 2007, between Nintendo Co., Ltd. and Activision Publishing, Inc.
- 10.7 Employment Agreement, dated September 11, 2007, between George Rose and Activision Publishing, Inc.
- 10.8 Employment Agreement, dated September 12, 2007, between Ann Weiser and Activision Publishing, Inc.
- 10.9 Confidential License Agreement for the Wii Console (Western Hemisphere), dated September 12, 2007, between Nintendo of America, Inc. and Activision Publishing, Inc.*
- 10.10 Chart of Compensation Paid to Non-Employee Directors.
- 10.11 Activision, Inc. 2007 Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8, Registration No. 333-146431, filed October 1, 2007).
- 10.12 Notice of Share Option Award to George Rose, dated September 28, 2007.
- 10.13 Notice of Restricted Share Unit Award to George Rose, dated September 28, 2007.
- 10.14 Notice of Share Option Award to Ann Weiser, dated September 28, 2007.
- 10.15 Notice of Restricted Share Unit Award to Ann Weiser, dated September 28, 2007.
- 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 Michael Griffith 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.
- 31.3 Certification of Thomas Tippl 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 Michael Griffith pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of Thomas Tippl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Portions omitted pursuant to a request for confidential treatment.

67

SIGNATURES

Date: November 7, 2007

ACTIVISION, INC.

/s/ Thomas Tippel

Thomas Tippel

Chief Financial Officer of Activision Publishing, Inc. and
Principal Financial and Accounting Officer of Activision, Inc.

68

EXHIBIT INDEX

- 3.1 Amended and Restated Certificate of Incorporation of Activision Holdings, dated June 9, 2000 (incorporated by reference to Exhibit 2.5 of Activision's Form 8-K, filed June 16, 2000).
- 3.2 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Activision Holdings dated as of June 9, 2000 (incorporated by reference to Exhibit 2.7 of Activision's Form 8-K, filed June 16, 2000).
- 3.3 Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated as of December 27, 2001 (incorporated by reference to Exhibit 3.4 of Activision's Form 10-Q for the quarter ended December 31, 2001).
- 3.4 Certificate of Amendment of Amended and Restated Certificate of Incorporation, as amended, of Activision, Inc., dated as of April 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed April 5, 2005).
- 3.5 Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated August 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed August 5, 2005).
- 3.6 Third Amended and Restated By-Laws of Activision, Inc., dated September 27, 2007 (incorporated by reference to Exhibit 3.6 to the Company's Registration Statement on Form S-8, Registration No. 333-146431, filed October 1, 2007).
- 4.1 Rights Agreement dated as of April 18, 2000, between Activision, Inc. and Continental Stock Transfer & Trust Company, which includes as exhibits the form of Right Certificates as Exhibit A, the Summary of Rights to Purchase Series A Junior Preferred Stock as Exhibit B and the form of Certificate of Designation of Series A Junior Preferred Stock of Activision as Exhibit C, (incorporated by reference to Activision's Registration Statement on Form 8-A, Registration No. 001-15839, filed April 19, 2000).
- 10.1 Confidential License Agreement for the Nintendo DS (Western Hemisphere), dated as of October 11, 2004, between Nintendo Co., Ltd. and Activision Publishing, Inc.
- 10.2 Notice of Share Option Award to Robin Kaminsky, dated as of October 19, 2006.
- 10.3 Notice of Share Option Award to Robin Kaminsky, dated as of October 19, 2006.
- 10.4 Notice of Restricted Stock Award to Robin Kaminsky, dated as of October 19, 2006.

69

-
- 10.5 Notice of Restricted Stock Award to Robin Kaminsky, dated as of October 19, 2006.
 - 10.6 First Amendment to Confidential License Agreement for Nintendo DS (Western Hemisphere), dated as of July 16, 2007, between Nintendo Co., Ltd. and Activision Publishing, Inc.
 - 10.7 Employment Agreement, dated September 11, 2007, between George Rose and Activision Publishing, Inc.
 - 10.8 Employment Agreement, dated September 12, 2007, between Ann Weiser and Activision Publishing, Inc.
 - 10.9 Confidential License Agreement for the Wii Console (Western Hemisphere), dated September 12, 2007, between Nintendo of America, Inc. and Activision Publishing, Inc.*
 - 10.10 Chart of Compensation Paid to Non-Employee Directors.
 - 10.11 Activision, Inc. 2007 Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8, Registration No. 333-146431, filed October 1, 2007).
 - 10.12 Notice of Share Option Award to George Rose, dated September 28, 2007.
 - 10.13 Notice of Restricted Share Unit Award to George Rose, dated September 28, 2007.

- 10.14 Notice of Share Option Award to Ann Weiser, dated September 28, 2007.
- 10.15 Notice of Restricted Share Unit Award to Ann Weiser, dated September 28, 2007.
- 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 Michael Griffith 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.
- 31.3 Certification of Thomas Tippl 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 Michael Griffith pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of Thomas Tippl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Portions omitted pursuant to a request for confidential treatment.

**CONFIDENTIAL LICENSE AGREEMENT
FOR NINTENDO DS (Western Hemisphere)**

THIS LICENSE AGREEMENT ("Agreement") is entered into between NINTENDO OF AMERICA, INC. ("NOA"), at 4820 150th Avenue N.E., Redmond, WA 98052 Attn: General Counsel (Fax: 425-882-3585) and Activision Publishing, Inc. ("LICENSEE") at 3100 Ocean Park Blvd, Santa Monica, CA 90405 Attn: General Counsel (Fax: (310) 255-2152). NOA and LICENSEE agree as follows:

1. RECITALS

1.1 NOA markets and sells advanced design, high-quality video game systems, including the Nintendo DS system.

1.2 LICENSEE desires a license to use highly proprietary programming specifications, development tools, trademarks and other valuable intellectual property rights of NOA and its parent company, Nintendo Co., Ltd. (collectively "Nintendo"), to develop, have manufactured, advertise, market and sell video game software for play on the Nintendo DS system.

1.3 NOA is willing to grant a license to LICENSEE on the terms and conditions set forth in this Agreement.

2. DEFINITIONS

2.1 "Artwork" means the design specifications for the Game Card label and Printed Materials in the format specified by NOA in the Guidelines.

2.2 "Bulk Goods" means the Game Cards with Game Card labels affixed.

2.3 "Development Tools" means the development kits, programming tools, emulators and other materials that may be used in the development of Games under this Agreement.

2.4 "Effective Date" means October 11, 2004.

2.5 "Finished Product(s)" means the fully assembled and shrink-wrapped Licensed Products, each including a Game Card, Game Card label and Printed Materials.

2.6 "Game Card(s)" means custom card media specifically manufactured under the terms of this Agreement for play on the Nintendo DS system, incorporating semiconductor components in which a Game has been stored.

2.7 "Game(s)" means the Nintendo DS version of an interactive video game program, or other applications approved by Nintendo (including source and object/binary code) developed for the Nintendo DS system.

2.8 "Guidelines" means the current version or any future revision of the "Nintendo DS Packaging Guidelines", "Nintendo DS Development Manual" and related guidelines provided by NOA.

2.9 "Independent Contractor" means any individual or entity that is not an employee of LICENSEE, including any independent programmer, consultant, contractor, board member or advisor.

2.10 "Intellectual Property Rights" means individually, collectively or in any combination, Proprietary Rights owned, licensed or otherwise held by Nintendo that are associated with the development, manufacturing, advertising, marketing or sale of the Licensed Products, including, without limitation, (a) registered and unregistered trademarks and trademark applications used in connection with Games for the Nintendo DS system including "Nintendo®", "Nintendo DS™", "DS™" and the "Official Nintendo Seal®", (b) select trade dress associated with the Nintendo DS system and licensed Games for play thereon, (c) Proprietary Rights in the Security Technology incorporated into the Game Cards, (d) rights in the Development Tools for use in developing the Games, (e) patents or design registrations Nintendo in the Confidential Information.

2.11 "Licensed Products" means (a) Finished Products, or (b) Bulk Goods when fully assembled and shrink-wrapped with the Printed Materials.

2.12 "Marketing Materials" means marketing, advertising or promotional materials developed by or for LICENSEE (or subject to LICENSEE'S approval) to promote the sale of the Licensed Products, including, but not limited to, television, radio and on-line, advertising, point-of-sale materials (e.g. posters, counter-cards), package advertising and print media or materials.

2.13 "NDA" means the non-disclosure agreement providing for the protection of Confidential Information related to the Nintendo DS system previously entered into between NOA and LICENSEE.

2.14 "Notice" means any notice permitted or required under this Agreement. All notices shall be sufficiently given when served or delivered, (b) transmitted by *faL*, bimile, with an original sent concurrently by first class U.S. mail, or (c) deposited, postage prepaid, with a guaranteed air courier service, in each case addressed as stated herein, or addressed to such other person or address either party may designate in a Notice. Notice shall be deemed effective upon the earlier of actual receipt or two (2) business days after transmittal.

2.15 "Price Schedule" means the current version or any future revision of NOA's schedule of purchase prices and minimum order quantities for Finished Products and Bulk Goods.

2.16 "Printed Materials" means the Game Card label and title sheet, user instruction booklet, poster, warranty card and LICENSEE inserts incorporating the Artwork, together with a precautions booklet as specified by NOA.

2

2.17 "Proprietary Rights" means any rights or applications for rights owned, licensed or otherwise held in patents, trademarks, service marks, copyrights, mask works, trade secrets, trade dress, moral rights and publicity rights, together with all inventions, discoveries, ideas, technology, know-how, data, information, processes, formulas, drawings and designs, licenses, computer programs, software source code and object code, and all amendments, modifications, and improvements thereto for which such patent, trademark, service mark, copyright, mask work, trade secrets, trade dress, moral rights or publicity rights may exist or may be sought and obtained in the future.

2.18 "Reverse Engineer(ing)" means, without limitation, (a) the x-ray, electronic scanning or decryption or simulation of object code or executable code, or (c) any other technique designed to extract source code or facilitate the duplication of a program or product.

2.19 "Security Technology" means, without limitation, any security signature, bios, data scrambling, password, hardware security apparatus, watermark, hologram, encryption, Digital Rights management system, copyright management information system or any feature that facilitates or limits compatibility with other hardware, software, or accessories or other peripherals outside of the Territory or on a different video game system.

2.20 "Term" mean three (3) years from the Effective Date.

2.21 "Territory" means all countries within the Western Hemisphere and their respective territories and possessions.

3. **GRANT OF LICENSE; LICENSEE RESTRICTIONS**

3.1 **Limited License Grant.** For the Term and for the Territory, NOA grants to LICENSEE a nonexclusive, nontransferable, limited license to use the Intellectual Property Rights to develop Games for manufacture, advertising, marketing and sale as Licensed Products, subject to the terms and conditions of this Agreement. Except as permitted under a separate written authorization from Nintendo, LICENSEE shall not use the Intellectual Property Rights for any other purpose.

3.2 **LICENSEE Acknowledgement.** LICENSEE acknowledges (a) the valuable nature of the Intellectual Property Rights, (b) the right, title, and interest of Nintendo in and to the Intellectual Property Rights, and (c) the right, title and interest of Nintendo in and to the Proprietary Rights associated with all aspects of the Nintendo DS system. LICENSEE recognizes that the Games, Game Cards and Licensed Products will embody valuable rights of Nintendo and Nintendo's licensors. LICENSEE represents and warrants that it will not undertake any act or thing that in any way impairs or is intended to impair any part of the right, title, interest or goodwill of Nintendo in the Intellectual Property Rights. LICENSEE'S use of the Intellectual Property Rights shall not create any right, title or interest of LICENSEE therein.

3.3 **LICENSEE Restrictions and Prohibitions.** LICENSEE is not licensed to, and covenants that, without the express written consent of Nintendo, it will not at any time, directly or indirectly, do or cause to be done any of the following:

3

(a) grant access to, distribute, transmit or broadcast a Game by electronic means or by any other means known or hereafter devised, including, without limitation, by wireless, cable, fiber optic, telephone lines, microwave, radiowave, computer or other device network, except (a) as a part of wireless Game play on and among Nintendo DS systems, (b) for the purpose of facilitating Game development under the terms of this Agreement, or (c) as otherwise approved in writing by Nintendo. LICENSEE shall use reasonable security measures, customary within the high technology industry, to reduce the risk of unauthorized interception or retransmission of any Game transmission. No right of retransmission shall attach to any authorized transmission of a Game,

(b) modify, install or operate a Game on any server or other device for the purpose of or resulting in the rental, lease, loan or sale of rights of access to the Game,

(c) emulate, interoperate, interface or link a Game for operation or use with any hardware platform, software program, accessory, computer language, computer environment, chip instruction set, consumer electronics device, telephone, ceephone, RDA, or other device, including for purposes of data interchange, password usage or interactive video game play, other than a Nintendo DS system, an application approved by Nintendo, or the Development Tools,

(d) emulate any past, current or future Nintendo brand video game system, or any portion thereof, in software or hardware or any combination thereof,

(e) embed, incorporate, or store a Game in any media or format except the Game Card format utilized by the Nintendo DS system, except as may be necessary as a part of the Game development process under this Agreement,

(f) design, implement or undertake any process, procedure, program or act designed to circumvent the Security Technology,

Agreement, (g) utilize the Intellectual Property Rights to design or develop any interactive video game program, except as authorized under this

(h) manufacture or reproduce a Game developed under this Agreement, except through Nintendo, or

(i) Reverse Engineer or assist in the Reverse Engineering of all or any part of the Development Tools or the Security Technology.

3.4 No Free-Riding No Co-Publishing Arrangements. To protect Nintendo's valuable Intellectual Property Rights, to prevent the dilution of Nintendo's trademarks and to preclude free-riding by third parties on the goodwill associated with Nintendo's trademarks, the license granted under this Agreement is limited to LICENSEE and may not be delegated or contracted out for the benefit of a third party, or to a division, affiliate, or subsidiary of LICENSEE. This Agreement, together with all submissions, representations, undertakings and approvals contemplated of LICENSEE by this Agreement, is and shall remain the right and obligation only of LICENSEE. All Printed Materials and Marketing Materials for a Game shall prominently and accurately identify LICENSEE as NOA's licensee. NOA does not permit the designation or

identification of any third party co-publisher for a Game on any Licensed Product Game Card case or Game Card label, however, LICENSEE may identify a third party as a co-publisher, licensor, developer or other partner of LICENSEE in those Printed Materials (other than the Game Card label), Marketing Materials or Game credits, as authorized under the Guidelines. For purposes of clarification, LICENSEE'S name, or logo, will appear on the Licensed Product Game Card case and Game Card label as it appears in the preamble of this Agreement.

3.5 Development Tools. Nintendo may lease, loan or sell Development Tools to LICENSEE to assist in the development of Games under this Agreement. Ownership and use of any Development Tools provided to LICENSEE by Nintendo shall be subject to the terms of this Agreement and any separate license or purchase agreement required by Nintendo. LICENSEE acknowledges the exclusive interest of Nintendo in and to the Proprietary Rights associated with the Development Tools. LICENSEE'S use of the Development Tools shall not create any right, title or interest of LICENSEE therein. LICENSEE shall not, directly or indirectly, (a) use the Development Tools for any purpose except the design and development of Games under this Agreement, (b) reproduce or create derivatives of the Development Tools, except in association with the development of Games under this Agreement, (c) Reverse Engineer the Development Tools, or (d) sell, lease, assign, lend, license, encumber or otherwise transfer the Development Tools. Any tools developed or derived by LICENSEE as a result of a study of the performance, design or operation of the Development Tools shall be considered derivative works of the Intellectual Property Rights and shall belong to Nintendo, but may be retained and utilized by LICENSEE in connection with this Agreement. In no event shall LICENSEE (i) seek, claim or file for any patent, copyright or other Proprietary Right with regard to any such derivative work, (ii) make available any such derivative work to any third party, or (iii) use any such derivative work except in connection with the design and development of Games under this Agreement.

4. SUBMISSION OF GAME AND ARTWORK FOR APPROVAL

4.1 Development and Sale of the Games. LICENSEE may develop Games and have manufactured, advertise, market and sell Licensed Products for play on the Nintendo DS system only in accordance with this Agreement.

4.2 Third Party Developers. LICENSEE shall not disclose the Confidential Information, the Guidelines or the Intellectual Property Rights to any Independent Contractor, nor permit any Independent Contractor to perform or assist in development work for a Game, unless and until such Independent Contractor has been approved by NOA and has executed a written confidentiality agreement with NOA relating to the Nintendo DS system.

4.3 Delivery of Completed Game. Upon completion of a Game, LICENSEE shall deliver a prototype of the Game to NOA in a format specified in the Guidelines, together with written user instructions, a complete description of any security holes, backdoors, time bombs, cheats, "easter eggs" or other hidden features or characters in the Game. NOA shall promptly evaluate the Game with regard to its technical compatibility with and error-free operation on the Nintendo DS system. LICENSEE is responsible for ensuring that the Game and any other content to be included on the Game Card complies with the Advertising Code of Conduct of the Entertainment Software Ratings Board ("ESRB") and that the Game has been rated EC, E, M or T by the ESRB. LICENSEE shall provide NOA with a related certificate of rating for the Game from the ESRB.

4.4 Approval of Completed Game. NOA shall, within a reasonable period of time after receipt, approve or disapprove each submitted Game. If a Game is disapproved, NOA shall specify in writing the reasons for such disapproval and state what corrections or improvements are necessary. After making the necessary corrections or improvements, LICENSEE shall submit a revised Game to NOA for approval. NOA shall not unreasonably withhold or delay its approval of any Game. The approval of a Game by NOA shall not relieve LICENSEE of its sole responsibility for the development, quality and operation of the Game or in any way create any warranty for a Game or a Licensed Product by NOA.

4.5 Submission of Artwork. Upon submission of a completed Game to NOA, LICENSEE shall prepare and submit to NOA the Artwork for the proposed Licensed Product. Within seven (7) business days of receipt, NOA shall approve or disapprove the Artwork. If any Artwork is disapproved, NOA shall specify in writing the reasons for such disapproval and state what corrections or improvements are necessary. After making the necessary corrections or improvements, LICENSEE shall submit revised Artwork to NOA for approval. NOA shall not unreasonably withhold or delay its approval of any Artwork. The approval of the Artwork by NOA development and quality of the Artwork or in any way create any warranty for the Artwork or any Licensed Product by NOA.

4.6 Artwork for Bulk Goods. If LICENSEE submits an order for Bulk Goods, all Artwork shall be submitted to NOA in advance of NOA's acceptance of the order and no production of Printed Materials shall occur until such Artwork has been approved by NOA under Section 4.5 herein.

5. ORDER PROCESS, PURCHASE PRICE, PAYMENT AND DELIVERY

5.1 Submission of Orders by LICENSEE. LICENSEE may at any time submit written purchase orders to NOA for any approved Licensed Product title. The purchase order shall specify whether it is for Finished Products or Bulk Goods. The terms and conditions of this Agreement shall control over any contrary terms of such purchase order or any other written documents submitted by LICENSEE. All orders are subject to acceptance by NOA in Redmond, WA.

5.2 Purchase Price and Minimum Order Quantities. The purchase price and minimum order quantities for Finished Products and Bulk Goods shall be set forth in NOA's then current Price Schedule. The purchase price includes the cost of manufacturing together with a royalty for the use of the Intellectual Property Rights. No taxes, duties, import fees or other tariffs related to the development, manufacture, import, marketing or sale of the Licensed Products are included in the purchase price and all such taxes are the responsibility of LICENSEE (except for taxes imposed on NOA's income). The Price Schedule is subject to change by NOA at any time, provided, however, that any price increase shall be applicable only to purchase orders submitted, paid for, and accepted by NOA after the effective date of the price increase.

6

5.3 Payment. Upon placement of an order with NOA, LICENSEE shall pay the full purchase price to NOA either (a) by placement of an irrevocable letter of credit in favor of NOA and payable at sight, issued by a bank acceptable to NOA and confirmed, if requested by NOA, at LICENSEE'S expense, or (b) in cash, by wire transfer to NOA's designated account. All associated banking charges are the responsibility of the LICENSEE.

5.4 Shipment and Delivery. All Licensed Products shall be delivered to LICENSEE EXW Ex works Japan (as defined by Incoterms 2000), or such other delivery point specified by NOA, with shipment at LICENSEE'S direction and expense. Orders may be delivered by NOA in partial shipments, each directed to not more than two (2) destinations designated by LICENSEE within the Territory. Title to the Licensed Products shall vest.

6. MANUFACTURE OF THE LICENSED PRODUCT

6.1 Manufacturing. Nintendo shall be the exclusive source for the manufacture of the Game Cards, and shall control all aspects of the manufacturing process, including the selection of the locations and specifications for any manufacturing facilities, determination of materials and processes, appointment of suppliers and subcontractors and management of all work-in-progress.

6.2 Manufacture of the Licensed Products. Upon acceptance by NOA of a purchase order for an approved Licensed Product title and payment as provided for under Section 5.3 herein, NOA will arrange for the manufacture of Finished Product or Bulk Goods, as specified in LICENSEE'S purchase order.

6.3 Security Features. The final release version of the Game, Game Cards and Printed Materials shall include such Security Technology as Nintendo, in its sole discretion and at its sole expense, may deem necessary or appropriate.

6.4 Production of Bulk Goods Printed Materials. For Bulk Goods, LICENSEE shall arrange Goods, LICENSEE shall assemble the Game Cards and Printed Materials into the Licensed Products. Games may be sold or otherwise distributed by LICENSEE only in fully assembled and shrink-wrapped Licensed Products.

6.5 Prior Approval of LICENSEE'S Independent Contractor. Prior to the placement of a purchase order for Bulk Goods, LICENSEE shall obtain NOA's approval of any Independent Contractors selected to perform LICENSEE'S production and assembly operations. LICENSEE shall provide NOA with the names, addresses and all business documentation reasonably requested by NOA for such Independent Contractors. NOA may, prior to approval and at reasonable intervals thereafter, (a) require submission of additional business or financial information regarding the Independent Contractors, (b) inspect the facilities of the Independent Contractors, and (c) be present to supervise any work on the Licensed Products to be done by any Independent Contractors. If at any time NOA deems an Independent Contractor to be unable to meet quality, security or performance standards reasonably established by NOA, NOA may refuse to grant its approval or withdraw its approval upon Notice to Licensed Product by such Independent Contractor until NOA's concerns have been resolved to its satisfaction or until LICENSEE has selected and received NOA's approval of another Independent Contractor. NOA may establish preferred or required supply sources for the Game Card case, or select components of the Printed Materials, which sources shall be deemed pre-approved in accordance

7

with this Section 6.5. LICENSEE shall comply with all sourcing requirements established by NOA.

6.6 NOA Inserts for Bulk Goods. NOA, at its option and at its sole expense, may provide LICENSEE with NOA produced promotional materials (as provided for at Section 7.7(a) herein), that LICENSEE agrees to include in the assembly of the Licensed Products.

6.7 Sample Printed Materials and Bulk Goods. Within a reasonable period of time after LICENSEE'S assembly of the initial order for a Bulk Goods title, LICENSEE shall provide NOA with (a) one (1) sample of the fully assembled, shrink-wrapped Licensed Product, and (b) fifty (50) samples of

LICENSEE produced Printed Materials for such Licensed Product.

6.8 Retention of Sample Licensed Products by Nintendo. Nintendo may, at its own expense, manufacture reasonable quantities of the Game Cards or the Licensed Products to be used for archival purposes, legal proceedings against infringers of the Intellectual Property Rights or for other lawful purposes (but not for resale).

6.9 Retention of User Instruction Booklet by NOA. For use in training consumer support personnel, product orientation and other consumer support activities, as well as for archival purposes, NOA may (a) retain (or request that LICENSEE provide to NOA) a reasonable number of copies of the user instruction booklet for each Licensed Product, and (b) make a reasonable number of copies of the user instruction booklet for each Licensed Product.

7. MARKETING AND ADVERTISING

7.1 Approval of Marketing Materials. LICENSEE represents and warrants that the Marketing Materials shall (a) be of high quality and comply with the Guidelines, (b) comply with all ESRB advertising, marketing and merchandising guidelines, and (c) comply with all applicable laws and regulations in those jurisdictions in the Territory where they will be used or distributed. All LICENSEE controlled websites featuring the Games shall adopt a privacy policy that is consistent with the principles and guidelines issued by the ESRB and that complies with the Children's Online Privacy Protection Act. Prior to actual use or distribution, LICENSEE shall submit to NOA for review samples of all proposed Marketing Materials. NOA shall, within ten (10) business days of receipt, approve or disapprove the quality of such samples. If any of the samples are disapproved, NOA shall specify the reasons for such disapproval and state what corrections and/or improvements are necessary. After making the necessary corrections and/or improvements, LICENSEE shall submit revised samples for approval by NOA. No Marketing Materials shall be used or distributed by LICENSEE without NOA's prior written approval. NOA shall not unreasonably withhold or delay its approval of any proposed Marketing Materials.

7.2 No Bundling. To protect Nintendo's valuable Intellectual Property Rights, to prevent the dilution of Nintendo's trademarks and to preclude free-riding by non-licensed products on the goodwill associated with Nintendo's trademarks, LICENSEE shall not market or distribute any Licensed Products that are bundled with (a) any peripheral designed for use with the Nintendo DS system that has not been licensed or approved in writing by NOA, or (b) any

8

other product or service where Nintendo's sponsorship, association, approval or endorsement might be suggested by the bundling of the products or services.

7.3 Warranty and Repair. LICENSEE shall provide the original consumer with a minimum ninety (90) day limited warranty on all Licensed Products. LICENSEE shall also provide reasonable product service, including out-of-warranty service, for all Licensed Products.

7.4 Business Facilities. LICENSEE agrees to develop and maintain (a) suitable office under this Agreement, (b) necessary warehouse, distribution, marketing, sales, collection and credit operations to facilitate proper handling of the Licensed Products, and (c) customer service and Game counseling, including telephone service, to adequately support the Licensed Products.

7.5 No Sales Outside the Territory. LICENSEE represents and warrants that it shall not market, sell, offer to sell, import or distribute the Licensed Products outside the Territory, or within the Territory when LICENSEE has actual or constructive knowledge that a subsequent destination of the Licensed Product is outside the Territory.

7.6 Defects and Recall. In the event of a material programming defect in a Licensed Product that would, in NOA's reasonable judgment, significantly impair the ability of a consumer to play the Game, NOA may, after consultation with LICENSEE, require the LICENSEE to recall the Licensed Product and undertake suitable repairs or replacements.

7.7 NOA Promotional Materials, Publications and Events. At its option, NOA may (a) insert in the Printed Materials for the Licensed Products promotional materials concerning Nintendo Power magazine or other NOA products, services or programs, (b) utilize screen shots, Artwork and information regarding the Licensed Products in Nintendo Power, Nintendo Power_Source, official Nintendo-sponsored web sites, or other advertising, promotional or marketing media that promotes Nintendo products, services or programs, and (c) exercise public performance rights in the Games and use related trademarks and Artwork in connection with NOA sponsored contests, tours, conventions, trade shows, press briefings and similar events that promote the Nintendo DS system.

7.8 Nintendo Gateway System. To promote and increase demand for games on Nintendo video game systems, NOA licenses a system (the "Nintendo Gateway System") in various non-coin activated customers play games on specially adapted Nintendo video game systems. If NOA identifies a Game for possible license on the Nintendo Gateway System, the parties agree to conduct good faith negotiations toward including the Game in the Nintendo Gateway System.

8. CONFIDENTIAL INFORMATION

8.1 Definition. "Confidential Information" means information provided to LICENSEE by Nintendo or any third party working with Nintendo relating to the hardware and software for the Nintendo DS system or the Development Tools, including, but not limited to, (a) all current or future information, know-how, techniques, methods, information, tools, emulator hardware or software, software development specifications and/or trade secrets, (b) any patents or patent applications, (c) any business, marketing or sales data or information, and (d) any other information or data relating to development, design, operation, manufacturing, marketing or sales. Confidential Information shall include all confidential information disclosed, whether in

9

writing, orally, visually, or in the form of drawings, technical manifest, in any form, the above listed information. Confidential Information shall not include (i) data and information that was in the public domain prior to LICENSEE'S receipt of the same hereunder, or that subsequently becomes part of the public domain by publication or otherwise, except by LICENSEE'S wrongful act or omission, (ii) data and information that LICENSEE can demonstrate, through written records kept in the ordinary course of business, was in its possession without restriction on use or disclosure, prior to its receipt of the same hereunder and was not acquired directly or indirectly from Nintendo under an obligation of confidentiality that is still in force, and (iii) data and information that LICENSEE can show was received by it from a third party who did not acquire the same directly or indirectly from Nintendo and to whom LICENSEE has no obligation of confidentiality.

8.2 Disclosures Required by Law. LICENSEE shall be permitted to disclose Confidential Information if such disclosure is required by an authorized governmental or judicial entity, provided that NOA is given Notice thereof at least thirty (30) days prior to such disclosure, or such lesser period if required. LICENSEE shall use its best efforts to limit the disclosure to the greatest extent possible, consistent with LICENSEE'S legal obligations, and if required by NOA, shall cooperate in the preparation and entry of appropriate protective orders.

8.3 Disclosure and Use. NOA may provide LICENSEE with highly confidential development information, Guidelines, Development Tools, systems, specifications and related resources and information constituting and incorporating the Confidential Information to assist CfCI:NSEE's in the development of Games. LICENSEE agrees to maintain all Confidential Information as strictly confidential and to use such Confidential Information only in accordance with this Agreement. LICENSEE shall limit access to the Confidential Information to LICENSEE'S employees having a strict need to know and shall advise such employees of their obligation of confidentiality as provided herein. LICENSEE shall require each such employee to retain in confidence the Confidential Information pursuant to a written non-disclosure agreement between LICENSEE and such employee. LICENSEE shall use its best efforts to ensure that its employees working with or otherwise having access to Confidential Information shall not disclose or make any unauthorized use of the Confidential Information.

8.4 No Disclosure to Independent Contractors. LICENSEE shall not disclose the Confidential Information to any Independent Contractor without the prior written consent of NOA. Any Independent Contractor seeking access to Confidential Information shall be required to enter into a written non-disclosure agreement with NOA prior to receiving any access to or disclosure of the Confidential Information from either LICENSEE or NOA.

8.5 Agreement Confidentiality. LICENSEE agrees that the terms, conditions and contents of this Agreement shall be treated as Confidential Information. Any public announcement or press release regarding this Agreement or the release dates for Games developed by LICENSEE under this Agreement shall be subject to NOA's prior written approval. The parties may disclose this Agreement (a) to accountants, banks, financing sources, lawyers, parent companies and related parties under substantially equivalent confidentiality obligations, (b) in connection with any formal legal proceeding for the enforcement of this Agreement, (c) as required by the regulations of the Securities and Exchange Commission ("SEC"), provided that all Confidential Information regarding NOA shall be redacted from such

disclosures to the maximum extent allowed by the SEC, (d) in response to lawful process, subject to a written protective order approved in advance by NOA, and (e) to a third party proposing to enter into a business transaction with LICENSEE or with NOA, but only to the extent reasonably necessary for carrying out the proposed transaction and only under terms of mutual confidentiality.

8.6 Notification Obligations. LICENSEE shall promptly notify NOA of the unauthorized use or disclosure of any Confidential Information by LICENSEE or any of its employees, or any Independent Contractor or its employees, and shall promptly act to recover any such information and prevent further breach of the obligations herein. The obligations of LICENSEE set forth herein are in addition to and not in lieu of any other legal remedy that may be available to NOA under this Agreement or applicable law.

8.7 Continuing Effect of the NDA. The terms of this Section 8 supplement the terms of the NDA, which shall remain in effect. In the event of a conflict between the terms of the NDA and this Agreement, the terms of this Agreement shall control.

9. REPRESENTATIONS AND WARRANTIES

9.1 LICENSEE'S Representations and Warranties. LICENSEE represents and warrants that:

- (a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof,
- (b) the execution, delivery and performance of this Agreement by LICENSEE does not conflict with any agreement or understanding to which LICENSEE may be bound, and
- (c) excluding the Intellectual Property Rights, LICENSEE is either (i) the sole owner of all right, title and interest in and to the trademarks, copyrights and other intellectual property rights used on or in association with the development, advertising, marketing and sale of the Licensed Products and the Marketing Materials, or (ii) the holder of such rights to the trademarks, copyrights and other intellectual property rights that have been licensed from a third party as are necessary for the development, advertising, marketing and sale of the Licensed Products and the Marketing Materials under this Agreement.

9.2 NOA's Representations and Warranties. NOA represents and warrants that:

- (a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof, and

(b) the execution, delivery and performance of this Agreement by NOA does not conflict with any agreement or understanding to which NOA may be bound.

9.3 **INTELLECTUAL PROPERTY RIGHTS DISCLAIMER BY NOA.** NOA MAKES NO REPRESENTATION OR WARRANTY CONCERNING THE SCOPE OR VALIDITY OF THE INTELLECTUAL PROPERTY RIGHTS. NOA DOES NOT WARRANT THAT THE DESIGN, DEVELOPMENT, ADVERTISING, MARKETING OR SALE OF THE LICENSED PRODUCTS OR THE USE OF THE INTELLECTUAL PROPERTY RIGHTS BY LICENSEE WILL NOT INFRINGE UPON PATENT, COPYRIGHT, TRADEMARK OR OTHER PROPRIETARY RIGHTS OF A THIRD PARTY.

11

ANY WARRANTY THAT MAY BE PROVIDED IN ANY APPLICABLE PROVISION OF THE UNIFORM COMMERCIAL CODE OR ANY OTHER COMPARABLE LAW OR STATUTE IS EXPRESSLY DISCLAIMED. LICENSEE HEREBY ASSUMES THE RISK OF INFRINGEMENT.

9.4 **GENERAL DISCLAIMER BY NOA.** NOA DISCLAIMS ANY AND ALL WARRANTIES WITH RESPECT TO THE LICENSED PRODUCTS, INCLUDING, WITHOUT LIMITATION, THE SECURITY TECHNOLOGY. LICENSEE PURCHASES AND ACCEPTS ALL LICENSED PRODUCTS ON AN "AS IS" AND "WHERE IS" BASIS. NOA DISCLAIMS ALL WARRANTIES UNDER THE APPLICABLE LAWS OF ANY COUNTRY, EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A GENERAL OR PARTICULAR PURPOSE.

9.5 **LIMITATION OF LIABILITY.** TO THE MAXIMUM EXTENT PERMITTED BY LAW, NEITHER NOA NOR NINTENDO CO., LTD. (OR THEIR RESPECTIVE AFFILIATES, LICENSORS OR SUPPLIERS) SHALL BE LIABLE FOR LOSS OF PROFITS, OR FOR ANY SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF LICENSEE OR ITS CUSTOMERS ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE BREACH OF THIS AGREEMENT BY NOA, THE MANUFACTURE OF THE LICENSED PRODUCTS OR THE USE OF THE LICENSED PRODUCTS ON ANY NINTENDO VIDEO GAME SYSTEM BY LICENSEE OR ANY END USER.

10. **INDEMNIFICATION**

10.1 **LICENSEE'S Indemnification.** LICENSEE shall indemnify and hold harmless NOA and Nintendo Co., Ltd. (and any of their respective affiliates, subsidiaries, licensors, suppliers, officers, directors, employees or agents) from any claims, losses, liabilities, damages, expenses and costs, including, without limitation, reasonable attorneys' fees and costs and any expenses incurred in the settlement or avoidance of any such claim, that result from or are in connection with:

- (a) a breach of any of the provisions, representations or warranties undertaken by LICENSEE in this Agreement,
- (b) any infringement of a third party's Proprietary Rights as a result of the design, development, advertising, marketing, sale or use of the Licensed Products or the Marketing Materials,
- (c) any claims alleging a defect, failure to warn, bodily injury (including death) or other personal or property damage arising out of, or in connection with, the design, development, advertising, marketing, sale or use of any of-the Licensed Products, and
- (d) any federal, state or foreign civil or criminal actions relating to the design, development, advertising, marketing, sale or use of the Licensed Products or the Marketing Materials.

NOA and LICENSEE shall give prompt Notice to the other of any indemnified claim under this Section 10.1. With respect to any third party claim subject to this indemnity clause, LICENSEE, as indemnitor, shall have the right to select counsel and to control the defense and/or settlement

12

thereof. NOA may, at its own expense, participate in such action or proceeding with counsel of its own choice. LICENSEE shall not enter into any settlement of any such claim in which (i) NOA or Nintendo Co., Ltd. has been named as a party, or (ii) claims relating to the Intellectual Property Rights have been asserted, without NOA's prior written consent. NOA shall provide reasonable assistance to LICENSEE in its defense of any such claim.

10.2 **LICENSEE'S Insurance.** LICENSEE shall, at its own expense, obtain a commercial general liability insurance policy (including coverage for advertising injury and product liability claims) from an insurance company rated at least B+ by A.M. Best. Such policy of insurance shall be in an amount of not less than Five Million Dollars (\$5,000,000 USD) on a per occurrence basis (not claims made) and shall provide for adequate protection against any suits, claims, loss or damage arising out of or relating to the Licensed Products. Such policy shall name NOA and Nintendo Co., Ltd. as additional insureds and shall specify that it may not be canceled without thirty (30) days' prior written Notice to NOA. A Certificate of Insurance shall be provided to NOA's Licensing Department not later than the date of the initial order of Licensed Products under this Agreement. If LICENSEE fails to provide NOA's Licensing Department with period of two (2) years thereafter, NOA, in its sole discretion may 1) terminate this Agreement in accordance with Section 13.2 herein; or 2) secure comparable insurance for the benefit of NOA and Nintendo Co., Ltd. only, and not for Licensee, at LICENSEE'S expense.

10.3 Suspension of Production. In the event NOA deems itself at risk with respect to any claim, action or proceeding under this Section 10, NOA may, at its sole option, suspend production, delivery or order acceptance for any Licensed Products, in whole or in part, pending resolution of such claim, action or proceeding.

11. PROTECTION OF PROPRIETARY RIGHTS

11.1 Joint Actions Against Infringers. LICENSEE and NOA may agree to jointly pursue cases of infringement involving the Licensed Products, as such Licensed Products will contain Proprietary Rights owned by each of them. Unless the parties otherwise agree, or unless the recovery is expressly allocated between them by the court, in the event of such an action, any recovery shall be used first to reimburse LICENSEE and NOA for their respective reasonable attorneys' fees and costs incurred in bringing such action, pro rata, and any remaining recovery shall be distributed to LICENSEE and NOA, pro rata, based upon the fees and costs incurred in bringing such action.

11.2 Actions by LICENSEE. LICENSEE, without the consent of NOA, may bring any action or proceeding relating to an infringement or potential infringement of LICENSEE's Proprietary Rights in the Licensed Products. LICENSEE will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

11.3 Actions by NOA. NOA, without the consent of LICENSEE, may bring any action or proceeding relating to an infringement or potential infringement of the Intellectual Property Rights. NOA will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

12. ASSIGNMENT

12.1 Definition. "Assignment" means every type and form of assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation of LICENSEE's rights or

13

obligations under this Agreement, including, but not limited to, (a) a voluntary assignment, transfer, sale, sublicense, obligations under this Agreement, (b) the assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation of all or any portion of LICENSEE'S rights or obligations under this Agreement to or by LICENSEE's trustee in bankruptcy, receiver, or other individual or entity appointed to control or direct the business and affairs of LICENSEE, (c) an involuntary assignment, transfer, sale, sublicense, delegation, encumbrance, pledge or hypothecation of all or a portion of LICENSEE's rights or obligations under this Agreement, including but not limited to a foreclosure by a third party upon assets of LICENSEE, (d) the merger or consolidation of LICENSEE if LICENSEE is a corporation, and (e) any other means or method whereby rights or obligations of LICENSEE under this Agreement are sold, assigned or transferred to another individual or entity for any reason. Assignment also includes the sale, assignment, transfer or other event affecting a change in the controlling interest of LICENSEE, whether by sale, transfer or assignment of shares in LICENSEE, or by sale, transfer or assignment of partnership interests in LICENSEE, or otherwise.

12.2 No Assignment by LICENSEE. This Agreement and the subject matter hereof are effective without NOA's prior written consent, which consent may be withheld by NOA for any reason whatsoever in its sole discretion. In the event of an attempted Assignment in violation of this provision, NOA shall have the right at any time, at its sole option, to immediately terminate this Agreement. Upon such termination, NOA shall have no further obligation under this Agreement to LICENSEE or to LICENSEE'S intended or purported assignee.

12.3 Proposed Assignment. Prior to any proposed Assignment of this Agreement, LICENSEE shall give NOA not less than thirty (30) days prior written Notice thereof, which Notice shall disclose the name of the proposed assignee, the proposed effective date of the Assignment and the nature and extent of the rights and obligations that LICENSEE proposes to assign. NOA may, in its sole discretion, approve Assignment, any attempted or purported Assignment shall be deemed disapproved and NOA shall have the unqualified right, in its sole discretion, to terminate this Agreement at any time. Upon termination, NOA shall have no further obligation under this Agreement to LICENSEE or to LICENSEE's intended or purported assignee.

12.4 LICENSEE's Obligation of Non-Disclosure. LICENSEE shall not (a) disclose Nintendo's Confidential Information to any proposed assignee of LICENSEE, or -Lb) permit access to Nintendo's Confidential Information by any proposed assignee or other third party, without the prior written consent of NOA to such disclosure.

13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence on the Effective Date and shall continue for the Term, unless earlier terminated as provided for herein, or extended by a written amendment to this Agreement.

13.2 Default or Breach. In the event that either party is in default or commits a breach of this Agreement, that is not cured within thirty (30) days after Notice thereof, then this Agreement shall, except as otherwise provided, automatically terminate on the date specified in such Notice.

14

13.3 **Bankruptcy.** At NOA's option, this Agreement may be terminated immediately and, (b) becomes insolvent, (c) files a voluntary petition for bankruptcy, (d) acquiesces to any involuntary bankruptcy petition, (e) is adjudicated as a bankrupt, or (f) ceases to do business.

13.4 **Termination Other Than by Breach.** Upon (a) the expiration of this Agreement, (b) its termination other than by LICENSEE's breach, or (c) termination of this Agreement by NOA after one hundred twenty days (120) Notice to LICENSEE in the event NOA reasonably believes that LICENSEE has developed, marketed, or sold a product that infringes any intellectual property rights of NOA or its parent company, Nintendo Co., Ltd., anywhere in the world (provided that if the parties are able to resolve such alleged infringement within such 120 day period, such termination shall not take effect), LICENSEE shall have a period of one hundred eighty (180) days to sell any unsold Licensed Products. All Licensed Products in LICENSEE'S control following the expiration of such sell-off period shall be destroyed by LICENSEE within ten (10) days and proof of such destruction (certified by an officer of LICENSEE) shall be provided to NOA.

13.5 **Termination by LICENSEE's Breach.** If this Agreement is terminated by NOA as a result of a breach of its terms and conditions by LICENSEE, LICENSEE shall immediately cease all distribution, advertising, marketing or sale of any Licensed Products. All Licensed Products in LICENSEE's control as of the date of such termination shall be destroyed by LICENSEE within ten (10) days and proof of such destruction (certified by an officer of LICENSEE) shall be provided to NOA.

13.6 **Breach of NDA or Other NOA License Agreements.** At NOA's option, any breach by LICENSEE of (a) the NDA, or (b) any other license agreement between NOA and LICENSEE relating to the development of games for any Nintendo video game system that is not cured within the time period for cure allowed under the applicable agreement, shall be considered a material breach of this Agreement entitling NOA to terminate this Agreement in accordance with Section 13.5 herein.

13.7 **No Further Use of the Intellectual Property Rights.** Upon expiration and/or termination of this Agreement, LICENSEE shall cease all use of the Intellectual Property Rights for any purpose, except as may be required in connection with the sale of Licensed Products authorized under Section 13.4 herein. LICENSEE shall, within thirty (30) days thereafter, return or destroy all Guidelines, writings, drawings, models, data, tools and other materials and things in LICENSEE's possession or in the possession of any past or present employee, agent or contractor receiving the information through LICENSEE, that constitute or relate to or disclose any Confidential Information, without making copies or otherwise retaining any such information. Proof of any destruction shall be certified by an officer of LICENSEE and promptly provided to NOA.

13.8 **Termination by NOA's Breach.** If this Agreement is terminated by LICENSEE as a result of a breach of its terms or conditions by NOA, LICENSEE may continue to sell the Licensed Products in the Territory until the expiration of the Term, at which time the provisions of Section 13.4 shall apply.

14. **GENERAL PROVISIONS**

14.1 **Export Control.** LICENSEE agrees to comply with the export laws and regulations of the United States and any other country with jurisdiction over the Licensed

Products, Confidential Information, Intellectual Property Rights, Development Tools or either party.

14.2 **Force Majeure.** Neither party shall be liable for any breach of this Agreement occasioned by any cause beyond the reasonable control of such party, including governmental action, war, riot or civil inadequate supply of suitable materials or any other cause that could not with reasonable diligence be controlled or prevented by the parties. In the event of material shortages, including shortages of materials or production facilities necessary for production of the Licensed Products, NOA reserves the right to allocate such resources among itself and its licensees.

14.3 **Records and Audit.** During the Term and for a period of two (2) years thereafter, LICENSEE agrees to keep accurate complete and detailed records related to the development and sale of the Licensed Products and the Marketing Materials. Upon reasonable Notice to LICENSEE, NOA may, at its expense, audit LICENSEE'S records, reports and other information related to LICENSEE'S compliance with this Agreement.

14.4 **Waiver, Severability, Integration, and Amendment.** The failure of a party to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or of the right of such party to thereafter enforce such provision. In the event that any term, clause or provision shall be construed to be or adjudged invalid, void or unenforceable, such term, clause or provision shall be construed as severed from this Agreement, and the remaining terms, clauses and provisions shall remain in effect. Together with the NDA, this Agreement constitutes the entire agreement between the parties relating to the subject matter hereof. All prior negotiations, representations, agreements and understandings are merged into, extinguished by and completely expressed by this Agreement and the NDA. Any amendment to this Agreement shall be in writing, signed by both parties.

14.5 **Survival.** In addition to those rights specified elsewhere in this Agreement that may reasonably be interpreted or construed as surviving, the rights and obligations set forth in Sections 3, 8, 9, 10, 13 and 14 shall survive any expiration or termination of this Agreement to the degree necessary to permit their complete fulfillment or discharge.

14.6 **Governing Law and Venue.** This Agreement shall be governed by the laws of the State of Washington, without regard to its conflict of laws principles. Any legal action (including judicial and administrative proceedings) with respect to any matter arising under or growing out of this Agreement, shall be brought in a court of competent jurisdiction in King County, Washington. Each party hereby consents to the jurisdiction and venue of such courts for such purposes.

14.7 **Equitable Relief.** LICENSEE acknowledges that in the event of its breach of this Agreement, no adequate remedy at law may be available to NOA and that NOA shall be entitled to seek injunctive or other equitable relief in addition to any relief available at law.

14.8 Attorneys' Fees. In the event it is necessary for either party to this Agreement to undertake legal action to enforce or defend any action arising out of or relating to this Agreement, the prevailing party in such action shall be entitled to recover from the other party all reasonable attorneys' fees, costs and expenses relating to such legal action or any appeal therefrom.

14.9 Counterparts and Signature by Facsimile. This Agreement may be signed in counterparts, that shall together constitute a complete Agreement. A signature transmitted by facsimile shall be considered an original for purposes of this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the dates set forth below.

NOA:

NINTENDO OF AMERICA INC.

By: /s/ James R. Cannataro

Name: James R. Cannataro

Title: Executive VP, Administration

Date: 11/15/2004

LICENSEE:

ACTIVISION PUBLISHING, INC.

By: /s/ George L. Rose

Name: George L. Rose

Title: Sr. VP and General Counsel

Date: _____

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF SHARE OPTION AWARD

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

- Your name: **Robin Kaminsky**
- Total number of Shares purchasable upon exercise of the Option awarded: **100,000**
- Exercise Price: US \$15.142 per Share
- Date of Grant: **October 19, 2006**
- Expiration Date: **October 19, 2016**
- Grant ID: **03001795**
- Your Award of the Option is governed by the terms and conditions set forth in:
 - this Notice of Share Option Award;
 - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Share Option Award has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *Schedule for Lapse of Restrictions*: Except as otherwise provided under the Award Terms, the Option awarded to you will vest and become exercisable in full on the third anniversary of the 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 Option awarded to you will vest with respect to the following number of the Shares on a date established by the Committee upon its determination that the corresponding event has occurred (which will in no case be more than five business days after such determination), provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date:

No. of Shares as to which the Option Vests	Event Causing Option to Vest
25,000	Achievement of performance objectives for the Company's 2007 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.
25,000	Achievement of performance objectives for the Company's 2008 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.

- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***To accept your Award of the Option, you must sign and return to the Company this Notice of Share 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 Share Option Award to the Company at:***

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

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

ACTIVISION, INC.

By: /s/ George L. Rose
Title: Senior Vice President and General Counsel
Date: September 4, 2007

2

ACCEPTED AND AGREED:

/s/ Robin Kaminsky
ROBIN KAMINSKY

Date: September 25, 2007

3

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE 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.

“**Award Terms**” means these Share Option Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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.

“**Competitive Business**” shall have the meaning set forth in the Employment Agreement.

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

“**Disability**” shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

“**Employment Agreement**” means the employment agreement between the Holder and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Violation**” means any material breach by the Holder of the Employment Agreement for so long as the terms thereof 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**” means (i) Activision Publishing, Inc.’s relocation to a location more than 25 miles from Los Angeles County or (ii) the material diminution of Grantee’s job duties.

“**Grant Notice**” means the Notice of Share 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 option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. Amended and Restated 2003 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 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 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 Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the 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 Fair Market Value per share of Common Stock on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Stock 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 10 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock 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 Option was exercised and which were not sold.

“**Shares**” means the shares of Common Stock or other securities 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.

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

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; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder’s lifetime only by the Holder. With the Committee’s consent, all or part of the Option may be transferred in accordance with Section 7.3 of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it 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) in cash or by certified check or bank 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 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 11 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 prior to the vesting in full of the Option, as of the date of such termination of employment 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 employment and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(b) Without Cause or With Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by the Holder with Good Reason, in each case during the Employment Period, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued for a period of 24 months after the date of such termination and (ii) to the extent vested on the date which is 24 months after the date of such termination, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day thereafter and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(c) Death or Disability. 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, in each case prior to the vesting in full of the Option, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued for a period of 24 months after the date of such termination and (ii) to the extent vested on the date which is 24 months after the date of such termination, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day thereafter and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(d) Other. Unless the Committee decides 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 prior to the vesting in full of the Option, 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 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 certified check or bank 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 shares of Common Stock or other securities 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

5

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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8 or 9 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, the Holder consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8 or 9 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

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

6

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. Employment Violation.

(a) In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the 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 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 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.

(b) Without limiting the generality of Section 10(a) hereof and Section 7.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Option would otherwise continue to vest or be exercisable following the termination of the Holder's employment, if the Holder becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, as of the date on which such employment or other engagement commences, this Option shall (i) cease to vest and (ii) to the extent the vested, be exercisable in accordance with this Option Agreement until the earlier of (A) the 30th day thereafter and (B) the Expiration Date.

11. 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.”

12. 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.

13. 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.

14. 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.

15. 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 California, without giving effect to principles of conflicts of laws thereof.

16. 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.

17. 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 the 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.

18. 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. Nothing in the Grant Notice, these Award Terms or the Plan is intended to, or does, deprive the Holder of the benefit of any term or provision for which the Holder specifically bargained with the Company, as such term or provision is expressly set forth in the Holder's Employment Agreement.

ACTIVISION, INC.
AMENDED AND RESTATED 2003 INCENTIVE PLAN
NOTICE OF SHARE OPTION AWARD

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

- Your name: **Robin Kaminsky**
- Total number of Shares purchasable upon exercise of the Option awarded: **200,000**
- Exercise Price: US **\$15.142** per Share
- Date of Grant: **October 19, 2006**
- Expiration Date: **October 19, 2016**
- Grant ID: **03001794**
- Your Award of the Option is governed by the terms and conditions set forth in:
 - this Notice of Share Option Award;
 - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Share Option Award has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *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 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 19, 2007	66,667	66,667
October 19, 2008	66,667	133,334
October 19, 2009	66,666	200,000

- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- *To accept your Award of the Option, you must sign and return to the Company this Notice of Share 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 Share Option Award to the Company at:*

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

You should retain the enclosed duplicate copy of this Notice of Share 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.

By: /s/ George L. Rose
Title: Senior Vice President and General Counsel
Date: September 4, 2007

ACCEPTED AND AGREED:

/s/ Robin Kaminsky
ROBIN KAMINSKY

Date: September 25, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE 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.

“**Award Terms**” means these Share Option Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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.

“**Competitive Business**” shall have the meaning set forth in the Employment Agreement.

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

“**Disability**” shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

“**Employment Agreement**” means the employment agreement between the Holder and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Violation**” means any material breach by the Holder of the Employment Agreement for so long as the terms thereof 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**” means (i) Activision Publishing, Inc.’s relocation to a location more than 25 miles from Los Angeles County or (ii) the material diminution of Grantee’s job duties.

“**Grant Notice**” means the Notice of Share 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 option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. Amended and Restated 2003 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 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 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 Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the 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 Fair Market Value per share of Common Stock on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Stock 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 10 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of

2

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

“**Shares**” means the shares of Common Stock or other securities 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.

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

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; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder’s lifetime only by the Holder. With the Committee’s consent, all or part of the Option may be transferred in accordance with Section 7.3 of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it 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) in cash or by certified check or bank 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

3

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 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 11 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 prior to the vesting in full of the Option, as of the date of such termination of employment 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 employment and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(b) Without Cause or With Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by the Holder with Good Reason, in each case during the Employment Period, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued for a period of 24 months after the date of such termination and (ii) to the extent vested on the date which is 24 months after the date of such termination, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day thereafter and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

4

(c) Death or Disability. 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, in each case prior to the vesting in full of the Option, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued for a period of 24 months after the date of such termination and (ii) to the extent vested on the date which is 24 months after the date of such termination, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day thereafter and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(d) Other. Unless the Committee decides 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 prior to the vesting in full of the Option, 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 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 certified check or bank 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 shares of Common Stock or other securities 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

5

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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8 or 9 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, the Holder consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8 or 9 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

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

6

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. Employment Violation.

(a) In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the 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 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 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.

(b) Without limiting the generality of Section 10(a) hereof and Section 7.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Option would otherwise continue to vest or be exercisable following the termination of the Holder's employment, if the Holder becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, as of the date on which such employment or other engagement commences, this Option shall (i) cease to vest and (ii) to the extent the vested, be exercisable in accordance with this Option Agreement until the earlier of (A) the 30th day thereafter and (B) the Expiration Date.

11. 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."

12. 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

7

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.

13. 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.

14. 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.

15. 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 California, without giving effect to principles of conflicts of laws thereof.

16. 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.

17. 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 the 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.

18. 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. Nothing in the Grant Notice, these Award Terms or the Plan is intended to, or does, deprive the Holder of the benefit of any term or provision for which the Holder specifically bargained with the Company, as such term or provision is expressly set forth in the Holder's Employment Agreement.

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

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

- Your name: **Robin Kaminsky**
- Total number of Restricted Shares awarded: **11,667**
- Date of Grant: **October 19, 2006**
- Grant ID: **03001797**
- 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 Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Shares has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *Schedule for Lapse of Restrictions:* Except as otherwise provided under the Award Terms, the Restrictions on the Restricted Shares awarded to you will lapse in full on the third anniversary of the 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 Restrictions on the following number of the Restricted Shares awarded to you will lapse on a date established by the Committee upon its determination that the corresponding event has occurred (which will in no case be more than five business days after such determination), provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date:

Number of Restricted Shares as to which Restrictions Lapse	Event Causing Restrictions to Lapse
2,917	Achievement of performance objectives for the Company's 2007 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.
2,917	Achievement of performance objectives for the Company's 2008 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.

- *To accept your Award of Restricted Shares, you must 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.*
- *Please return all items to be returned to the Company at:*

Activision, 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 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, INC.

By: /s/ George L. Rose

ACCEPTED AND AGREED:

/s/ Robin Kaminsky
ROBIN KAMINSKY

Date: September 25, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 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 shares of Common Stock or other securities 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.

“Award Terms” means these Restricted Share Award Terms.

“Cause” shall have the meaning given to such term in the Employment Agreement.

“Common Stock” means the Company’s common stock, \$0.000001 par value per share.

“Company” means Activision, 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.

“Competitive Business” shall have the meaning set forth in the Employment Agreement.

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

“Disability” shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

“Employment Agreement” means the employment agreement between Grantee and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“Employment Period” shall have the meaning set forth in the Employment Agreement.

“Employment Violation” means any material breach by Grantee of the Employment Agreement for so long as the terms thereof 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” means (i) Activision Publishing, Inc.’s relocation to a location more than 25 miles from Los Angeles County or (ii) the material diminution of Grantee’s job duties.

“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. Amended and Restated 2003 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 Fair Market Value per share of Common Stock 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 Stock 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 13 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock 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 13(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 13(b) hereof.

2

“Restricted Shares” means shares of Common Stock or other securities 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.

“Vested Shares” means shares of Common Stock or other securities 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.

- (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 shares of Common Stock or other securities 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 shares of Common Stock or other securities, 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.

- (a) Cause. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause prior to the lapse of the Restrictions, 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.

- (b) Without Cause or With Good Reason. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by Grantee with Good Reason, in each case during the Employment Period, (i) the Restrictions on the Restricted Shares shall continue to lapse in accordance with the “Schedule for Lapse of Restrictions” set forth on the Grant Notice as if Grantee’s employment had continued for a period of 24 months after the date of such termination and (ii) as of the date which is 24 months after the date of such termination, all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

3

- (c) Death or Disability. In the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates or Grantee’s employment with the Company or any of its subsidiaries or affiliates is terminated due to Grantee’s Disability, in each case prior to the lapse of the Restrictions, (i) the Restrictions on the Restricted Shares shall continue to lapse in accordance with the “Schedule for Lapse of Restrictions” set forth on the Grant Notice as if Grantee’s employment had continued for a period of 24 months after the date of such termination and (ii) as of the date which is 24 months after the date of such termination, all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

- (d) Other. Unless the Committee decides otherwise, in the event that Grantee’s employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof prior to the lapse of the Restrictions, 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 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 by delivery to the Company of: (a) cash, certified check or bank check or wire transfer of immediately available funds; (b) with the Company’s consent, Vested Shares otherwise then deliverable (valued in the same manner used in computing the amount of such Withholding

Taxes); or (c) with the Company's consent, 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 Stock.

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. 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 14(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 14(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.

4

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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 10 or 11 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, Grantee consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 10 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

10. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code. Any Additional Shares issued in connection with an adjustment pursuant to this Section 10 shall be subject to the same Restrictions, and provisions with respect to the lapse thereof, as the Restricted Shares in respect of which such Additional Shares were issued.

11. 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 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

5

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.

12. Limited Transferability. Notwithstanding the Restrictions or anything else to the contrary contained herein, with the Committee's consent, Grantee may transfer Restricted Shares to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such Restricted Shares shall remain subject to the Restrictions in the hands of the transferee and that such 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.

13. Employment Violation.

(a) 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 by him or her 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.

(b) Without limiting the generality of Section 13(a) hereof and Section 7.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Restrictions would otherwise continue to lapse following the termination of Grantee's employment, if Grantee becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, whether or not in breach of the Employment Agreement, as of the date on which such engagement commences the

6

Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

14. 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 SHARES OF COMMON STOCK REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. AMENDED AND RESTATED 2003 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, 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."

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. 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 California, without giving effect to principles of conflicts of laws thereof.

7

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 12 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 either 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 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. Nothing in the Grant Notice, these Award Terms or the Plan is intended to, or does, deprive Grantee of the benefit of any term or provision for which Grantee specifically bargained with the Company, as such term or provision is expressly set forth in Grantee's Employment Agreement

8

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

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

- Your name: **Robin Kaminsky**
- Total number of Restricted Shares awarded: **23,333**
- Date of Grant: **October 19, 2006**
- Grant ID: **03001796**
- 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 Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Shares has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *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	7,778
Second anniversary of Date of Grant	7,778
Third anniversary of Date of Grant	7,777

- *To accept your Award of Restricted Shares, you must 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.*
- *Please return all items to be returned to the Company at:*

Activision, 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 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.

By: /s/ George L. Rose
Title: Senior Vice President and General Counsel
Date: September 4, 2007

ACCEPTED AND AGREED:

/s/ Robin Kaminsky
ROBIN KAMINSKY

Date: September 25, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 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 shares of Common Stock or other securities 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.

“**Award Terms**” means these Restricted Share Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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.

“**Competitive Business**” shall have the meaning set forth in the Employment Agreement.

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

“**Disability**” shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

“**Employment Agreement**” means the employment agreement between Grantee and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Period**” shall have the meaning set forth in the Employment Agreement.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms thereof 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**” means (i) Activision Publishing, Inc.’s relocation to a location more than 25 miles from Los Angeles County or (ii) the material diminution of Grantee’s job duties.

“**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. Amended and Restated 2003 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 Fair Market Value per share of Common Stock 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 Stock 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 13 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock 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 13(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 13(b) hereof.

“**Restricted Shares**” means shares of Common Stock or other securities 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.

“**Vested Shares**” means shares of Common Stock or other securities 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.

(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 shares of Common Stock or other securities 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 shares of Common Stock or other securities, 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.

(a) Cause. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause prior to the lapse of the Restrictions, 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.

(b) Without Cause or With Good Reason. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by Grantee with Good Reason, in each case during the Employment Period, (i) the Restrictions on the Restricted Shares shall continue to lapse in accordance with the “Schedule for Lapse of Restrictions” set forth on the Grant Notice as if Grantee’s employment had continued for a period of 24 months after the date of such termination and (ii) as of the date which is 24 months after the date of such termination, all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) Death or Disability. In the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates or Grantee's employment with the Company or any of its subsidiaries or affiliates is terminated due to Grantee's Disability, in each case prior to the lapse of the Restrictions, (i) the Restrictions on the Restricted Shares shall continue to lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice as if Grantee's employment had continued for a period of 24 months after the date of such termination and (ii) as of the date which is 24 months after the date of such termination, all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

(d) Other. Unless the Committee decides otherwise, in the event that Grantee's employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof prior to the lapse of the Restrictions, 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 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 by delivery to the Company of: (a) cash, certified check or bank check or wire transfer of immediately available funds; (b) with the Company's consent, Vested Shares otherwise then deliverable (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, 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 Stock.

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. 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 14(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 14(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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 10 or 11 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, Grantee consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 10 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

10. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code. Any Additional Shares issued in connection with an adjustment pursuant to this Section 10 shall be subject to the same Restrictions, and provisions with respect to the lapse thereof, as the Restricted Shares in respect of which such Additional Shares were issued.

11. 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 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

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.

12. Limited Transferability. Notwithstanding the Restrictions or anything else to the contrary contained herein, with the Committee's consent, Grantee may transfer Restricted Shares to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such Restricted Shares shall remain subject to the Restrictions in the hands of the transferee and that such 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.

13. Employment Violation.

(a) 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 by him or her 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.

(b) Without limiting the generality of Section 13(a) hereof and Section 7.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Restrictions would otherwise continue to lapse following the termination of Grantee's employment, if Grantee becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, whether or not in breach of the Employment Agreement, as of the date on which such engagement commences the

Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

14. 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 SHARES OF COMMON STOCK REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. AMENDED AND RESTATED 2003 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, 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."

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. 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 California, without giving effect to principles of conflicts of laws thereof.

7

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 12 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 either 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 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. Nothing in the Grant Notice, these Award Terms or the Plan is intended to, or does, deprive Grantee of the benefit of any term or provision for which Grantee specifically bargained with the Company, as such term or provision is expressly set forth in Grantee's Employment Agreement

8

FIRST AMENDMENT TO CONFIDENTIAL LICENSE AGREEMENT FOR NINTENDO DS

THIS FIRST AMENDMENT ("First Amendment") amends that certain Confidential License Agreement for Nintendo DS effective October 11, 2004 between Nintendo of America Inc. ("Nintendo") and Activision Publishing, Inc. ("Licensee") ("Agreement").

RECITALS

WHEREAS, Nintendo and Licensee entered into the Agreement;

WHEREAS, the Agreement currently expires on October 10, 2007 and the parties now desire to extend the Term (as such term is defined in the Agreement) of the Agreement as set forth below.

AMENDMENT

NOW, THEREFORE, the parties agree as follows:

1. The definition of "Term" as set forth in Section 2.20 of the Agreement is hereby deleted in its entirety and replaced with the following:
 "Term" means five (5) years from the Effective Date.
2. The Term of the Agreement is extended for an additional two (2) years. The Term of the Agreement shall now expire on October 10, 2009.
3. All other terms and conditions of the Agreement shall remain in full force and effect. This First Amendment may be signed in counterparts, which together shall constitute one original First Amendment.

Signatures provided by facsimile shall be the equivalent of originals.

This First Amendment shall be effective as of July 16, 2007.

IN WITNESS WHEREOF, the parties have entered into this First Amendment.

NINTENDO:

Nintendo of America Inc.

By: /s/ James R. Cannataro

Name: James R. Cannataro

Its: EVP, Administration

LICENSEE:

Activision Publishing, Inc.

By: /s/ Greg Deutsch

Name: Greg Deutsch

Its: Vice President, Business and
 Legal Affairs

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**") is entered into this 11 day of September, 2007, between Activision Publishing, Inc. (the "**Employer**") and George Rose ("**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**") commenced effective as of April 1, 2007 (the "**Effective Date**") and shall end on March 31, 2010 (the "**Expiration Date**") or such earlier date on which your employment is terminated under Section 10. At least six (6) months prior to the Expiration Date, you and the Employer each agree to provide the other party notice of intent not to continue employment following the Expiration Date.

(b) Except as set forth in Section 12(t), upon the Expiration Date (or such earlier date on which your employment is terminated pursuant to Section 10) all obligations and rights under this Agreement shall immediately lapse. If your employment continues beyond the Expiration Date, 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.

(b) Commencing on the Effective Date, you shall receive an annual base salary ("**Base Salary**") of \$475,000.00 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, 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 Activision, Inc., the parent company of the Employer ("**Activision**") or the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole and absolute discretion; provided, however, that the annual increase shall be no less than four percent (4%) per year.

1

(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 seventy five percent (75%) of your Base Salary in effect at the time bonus criteria for the year are established; provided, however, that the actual amount of the Annual Bonus, if any, shall be determined by the Compensation Committee in its sole and absolute discretion based on the achievement of personal, financial and business objectives and goals. The Annual Bonus will be paid at the same time bonuses are paid to senior executives, but in no event later than June 15th 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, Activision or their subsidiaries or affiliates (collectively, 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, the Employer will grant to you a non-qualified stock option to purchase 240,000 shares of Activision's common stock (the "**Options**") and 25,000 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 over three years, with one-third of the Option vesting on March 31st of each of 2008, 2009 and 2010 subject to your remaining employed by the Activision Group through each vesting date.
- (ii) The RSUs will vest in full on March 31, 2010 subject to your remaining employed by the Activision Group through such vesting date; provided, however, that vesting of 25% of the RSUs will occur if Activision meets or exceeds the 2008 Annual Operating Plan operating income objectives established by the Compensation Committee and vesting of an additional 25% of the RSUs will occur if Activision meets or exceeds the 2009 Annual Operating Plan operating income objectives established by the Compensation Committee.

You acknowledge that the Equity Award grants made pursuant to this Section 2(e) 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 2003 Incentive Equity Plan (the "**Plan**") and Activision's 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) Within thirty (30) days following the date this Agreement is executed, the Employer shall pay you a lump sum amount of \$57,500, representing the base salary you would have received had the Agreement been executed on April 1, 2007.

(f) 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

2

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.

3. Title; Location

During the Term, you shall serve as the Chief Legal Officer of the Employer. Your principal place of business shall be the Employer's headquarters in Santa Monica, California; 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 Chief Executive Officer and shall have such duties commensurate with your position as may be assigned to you by the Chief Executive Officer from time to time. 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 health, welfare, retirement, pension, life insurance, disability and similar plans, programs and arrangements generally available to senior executives of the Employer, 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 on the terms and conditions then prevailing under such programs.

(c) The Employer will provide you during the Term, at the Employer's expense, with a supplemental term life insurance policy with a benefit amount of \$2,000,000 through a carrier of the Employer's choice.

3

(d) You expressly agree and acknowledge that after the Expiration Date (or such earlier date on which your employment is terminated pursuant to Section 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.

7. Vacation and Paid Holidays

(a) You will be entitled to paid vacation days in accordance with the normal vacation policies of the Employer in effect from time to time; provided, however, that in no event shall you be entitled to less than twenty (20) paid vacation days per year.

(b) You shall be entitled to all paid holidays allowed by the Employer to its full-time employees in the United States.

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.

4

(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.

(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 or earlier termination of this Agreement.

(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 Date (or such earlier date on which your employment is terminated pursuant to Section

5

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 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 Date (or such earlier date on which your employment is terminated pursuant to Section 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. **Disability**

(a) If, during the Term, you become "Disabled", you shall receive payment of an amount equal to three (3) times the Base Salary in effect at the time of your Disability, determined in accordance with Section 2(b); provided, however, that this amount shall be reduced by any disability payments you receive under any Employer-sponsored plan. The payment shall be made in a lump sum thirty (30) days following the determination of your Disability.

(b) For purposes of this Agreement, "**Disability**" shall have the meaning set forth under Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder (the "**Code**"). 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 10 days of such a request.

6

(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 promise not to resign your employment prior to the Expiration Date unless you have Good Reason (as defined in Section 10(d)) to do so. If you do resign the Employer may accept your resignation effective on the date set forth in your notice or any earlier date. You acknowledge that your resignation without Good Reason would damage the Employer in a variety of ways, such as by causing it to incur the costs of replacing you (e.g., headhunter fees and training expenses) and by causing it to lose revenues or profits (e.g., its resignation-related inability to secure or retain customers, implement business strategies, or pursue business opportunities); absent proof of greater damages, you agree that the minimum damages the Employer would suffer from such a resignation shall be presumed to equal 100% of the Base Salary you would have received during the otherwise remaining period prior to the Expiration Date following your breach.

(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), (iv) or (v), 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

7

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 your primary place of employment as of the Effective Date and that materially and adversely affects your commute; or
- (ii) materially reduces your duties below those set forth in Section 4;

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.

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(t), 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 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(f) 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 10(a)-(e).

(b) **Death.** In the event your employment is terminated under Section 10(e):

- (i) Your heirs or estate shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the date of your death.
- (ii) Your heirs or estate shall receive payment of the Bonus Severance in a lump sum on June 15th of the year following the year in which your death occurs.
- (iii) Your heirs or estate shall receive payment of an amount equal to three (3) times the Base Salary (at the rate in effect at the time of your death) in a lump sum within thirty (30) days following the date of your death.
- (iv) All Equity Awards that would have vested during the twenty-four (24) months following your death shall immediately vest. All vested RSUs shall be paid in accordance with their terms and all vested Options shall remain exercisable until the earlier of (i) one (1) year after the date of your death or (ii) the original expiration date of the Options (unless that date is within six (6) months of your death, in which case the date that is six months of your death). Any Equity Awards that do not vest in accordance with this Section 11(b) will be cancelled immediately.
- (v) Payments and benefits under this Section 11(b) shall be in addition to any payments 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.

9

- (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 Expiration Date, (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 of the Code. Payment of the Initial Severance shall commence on the date the Release (as defined in Section 11(c)(vi) below) becomes effective and shall be paid in equal installments through the remainder of the Initial Severance Period in accordance with the Employer’s payroll practices in effect at the Termination Date. 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 Expiration Date (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 Expiration Date 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 Termination Date.
- (iv) You shall receive payment of the Bonus Severance in a lump sum on the later of (x) June 15th of the year following the year in which the Termination Date occurs and (y) the first day following the end of the Initial Severance Period.
- (v) All Equity Awards will continue to vest during the twenty-four (24) months following the Termination Date. The vested RSUs shall be paid in accordance with their terms and all vested Options shall remain exercisable until the earlier of (x) thirty (30) days after the applicable vesting date and (y) the original expiration date of the Options. Any Equity Awards that do not vest in accordance with this Section 11(c) will be cancelled immediately.
- (vi) Payment of the Initial Severance, the Bonus Severance, the Additional Severance and continued vesting of the Equity Awards 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(b) other than the Basic Severance.

- (vii) If you are entitled to receive payments as a result of a Disability pursuant to Section 9, then upon a subsequent or concurrent termination of employment, you shall only be entitled to the payments under Sections 11(c)(i), (iv) and (v).

(d) **Termination For Cause or Termination In Breach of Section 10(a).** In the event your employment and this Agreement is terminated by the Employer under Section 10(b) or you terminate your employment in breach of Section 10(a), then:

- (i) You shall receive payment of the Basic Severance in a lump sum thirty (30) days following the Termination Date; and
- (ii) All outstanding Equity Awards shall cease to vest and, whether or not vested, shall no longer be exercisable and shall be cancelled immediately.

(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.

11

(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 Date, or, if earlier, the termination of this Agreement pursuant to Section 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.

(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.

12

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 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 Sections 10 and 11 of this Agreement).

(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 10 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 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 11 shall cease immediately.

13

(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.

14

- (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(f), 8, 12(l), 12(m), 12(o), 12(p) and 12(r) 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 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 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:

To the Employer: Activision Publishing, Inc.
3100 Ocean Park Boulevard

15

To You: Santa Monica, California 90405
Attention: Chief Executive Officer
3041 Hutton Drive
Beverly Hills, California 90210

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.

ACCEPTED AND AGREED TO:

Employer

Employee

ACTIVISION PUBLISHING, INC.

By: /s/ Michael Griffith
Michael Griffith
Chief Executive Officer and President

/s/ George Rose
George Rose

Date: September 13, 2007

Date: September 11, 2007

16

Exhibit A

Proprietary Information Agreement

[TO COME]

17

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**") is entered into this 12th day of September, 2007, between Activision Publishing, Inc. (the "**Employer**") and Ann Weiser ("**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 September 10, 2007 (the "**Effective Date**") and shall end on August 31, 2010 (the "**Expiration Date**") or such earlier date on which your employment is terminated under Section 10. At least six (6) months prior to the Expiration Date, you and the Employer each agree to provide the other party notice of intent not to continue employment following the Expiration Date.

(b) Except as set forth in Section 12(t), upon the Expiration Date (or such earlier date on which your employment is terminated pursuant to Section 10) all obligations and rights under this Agreement shall immediately lapse. If your employment continues beyond the Expiration Date, 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.

(b) Commencing on the Effective Date, you shall receive an annual base salary ("**Base Salary**") of \$475,000.00 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, 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 Activision, Inc., the parent company of the Employer ("**Activision**") or the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole and absolute discretion.

1

(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 seventy five percent (75%) of your Base Salary in effect at the time bonus criteria for the year are established; provided, however, that the actual amount of the Annual Bonus, if any, shall be determined by the Compensation Committee in its sole and absolute discretion based on the achievement of personal, financial and business objectives and goals. The Annual Bonus will be paid at the same time bonuses are paid to senior executives, but in no event later than June 15th 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, Activision or their subsidiaries or affiliates (collectively, 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, the Employer will grant to you a non-qualified stock option to purchase 200,000 shares of Activision's common stock (the "**Options**") and 15,000 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 over three years, with one-third of the Option vesting on August 31st of each of 2008, 2009 and 2010 subject to your remaining employed by the Activision Group through each vesting date.
- (ii) The RSUs will vest in full on August 31, 2010 subject to your remaining employed by the Activision Group through such vesting date; provided, however, that vesting of 25% of the RSUs will occur on August 31, 2008 if Activision meets or exceeds the 2008 Annual Operating Plan operating income objectives established by the Compensation Committee and the vesting of an additional 25% of the RSUs will occur on August 31, 2009 if Activision meets or exceeds the 2009 Annual Operating Plan operating income objectives established by the Compensation Committee.

You acknowledge that the Equity Award grants made pursuant to this Section 2(e) 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 2003 Incentive Equity Plan (the "**Plan**") and Activision's 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) You shall receive a sign-on bonus of \$100,000 payable in a lump sum within thirty (30) days following the Effective Date.

(f) Within three (3) months of the Effective Date, you shall relocate your principal residence to within a 60-minute vehicle commute of Employer's headquarters (Santa Monica, California). Within thirty (30) days following the Effective Date the Employer shall pay you a

2

lump sum amount of \$145,000 comprised of (i) \$122,000 in relocation expenses and (ii) \$23,000 of basic moving expenses. In addition, at the same time, the Employer will pay you an amount equal to the amount of incremental taxes it estimates you will pay by reason of the inclusion in your income of the payments set forth in clause (i) above. You acknowledge that this amount will be in lieu of any relocation benefits you would have otherwise been entitled to under the Employer's policies.

(g) During the Term the Employer shall pay you an aggregate mortgage assistance payment equal to \$72,000, payable in seventy-eight (78) 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 estimates you will pay by reason of the inclusion in your income of the payments set forth in the immediately preceding sentence.

(h) 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.

3. **Title; Location**

During the Term, you shall serve as the Chief Human Resources Officer of the Employer. Your principal place of business shall be the Employer's headquarters in Santa Monica, California; 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 Chief Executive Officer and shall have such duties commensurate with your position as may be assigned to you by the Chief Executive Officer from time to time. 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.

3

6. **Other Benefits**

(a) During the Term you shall be entitled to participate in all health, welfare, retirement, pension, life insurance, disability and similar plans, programs and arrangements generally available to senior executives of the Employer, 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 on the terms and conditions then prevailing under such programs.

(c) The Employer will provide you during the Term, at the Employer's expense, with a supplemental term life insurance policy with a benefit amount of \$2,000,000 through a carrier of the Employer's choice.

(d) You expressly agree and acknowledge that after the Expiration Date (or such earlier date on which your employment is terminated pursuant to Section 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.

7. **Vacation and Paid Holidays**

(a) You will be entitled to paid vacation days in accordance with the normal vacation policies of the Employer in effect from time to time; provided, however, that in no event shall you be entitled to less than twenty (20) paid vacation days per year.

(b) You shall be entitled to all paid holidays allowed by the Employer to its full-time employees in the United States.

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

4

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.

(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 or earlier termination of this Agreement.

(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

5

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 Date (or such earlier date on which your employment is terminated pursuant to Section 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 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 Date (or such earlier date on which your employment is terminated pursuant to Section 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. **Disability**

(a) If, during the Term, you become "Disabled", you shall receive payment of an amount equal to three (3) times the Base Salary in effect at the time of your Disability, determined in accordance with Section 2(b); provided, however, that this amount shall be reduced by any disability payments you receive under any Employer-sponsored plan. The

payment shall be made in a lump sum thirty (30) days following the determination of your Disability.

(b) For purposes of this Agreement, “**Disability**” shall have the meaning set forth under Section 409A (“**Section 409A**”) of the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder (the “**Code**”). 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 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 promise not to resign your employment prior to the Expiration Date unless you have Good Reason (as defined in Section 10(d)) to do so. If you do resign the Employer may accept your resignation effective on the date set forth in your notice or any earlier date. You acknowledge that your resignation without Good Reason would damage the Employer in a variety of ways, such as by causing it to incur the costs of replacing you (*e.g.*, headhunter fees and training expenses) and by causing it to lose revenues or profits (*e.g.*, its resignation-related inability to secure or retain customers, implement business strategies, or pursue business opportunities); absent proof of greater damages, you agree that the minimum damages the Employer would suffer from such a resignation shall be presumed to equal 100% of the Base Salary you would have received during the otherwise remaining period prior to the Expiration Date following your breach.

(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 your primary place of employment as of the Effective Date and that materially and adversely affects your commute; or
- (ii) materially reduces your duties below those set forth in Section 4;

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.

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(t), 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 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(f) 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 10(a)-(e).

(b) **Death.** In the event your employment is terminated under Section 10(e):

- (i) Your heirs or estate shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the date of your death.
- (ii) Your heirs or estate shall receive payment of the Bonus Severance in a lump sum on June 15th of the year following the year in which your death occurs.
- (iii) Your heirs or estate shall receive payment of an amount equal to three (3) times the Base Salary (at the rate in effect at the time of your death) in a lump sum within thirty (30) days following the date of your death.
- (iv) All Equity Awards that would have vested during the twelve (12) months following your death shall immediately vest. All vested RSUs shall be paid in accordance with their terms and all vested Options shall remain exercisable until the earlier of (i) one (1) year after the date of your death or (ii) the original expiration date of the Options (unless that date is within six (6) months of your death, in which case the date that is six months

after your death). Any Equity Awards that do not vest in accordance with this Section 11(b) will be cancelled immediately.

- (v) Payments and benefits under this Section 11(b) shall be in addition to any payments 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 Expiration Date, (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 of the Code. Payment of the Initial Severance shall commence on the date the Release (as defined in Section 11(c)(vi) below) becomes effective and shall be paid in equal installments through the remainder of the Initial Severance Period in accordance with the Employer's payroll practices in effect at the Termination Date. 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 Expiration Date (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 Expiration Date 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 Termination Date.
- (iv) You shall receive payment of the Bonus Severance in a lump sum on the later of (x) June 15th of the year following the year in which the Termination Date occurs and (y) the first day following the end of the Initial Severance Period.

- (v) All Equity Awards will continue to vest during the twelve (12) months following the Termination Date. The vested RSUs shall be paid in accordance with their terms and all vested Options shall remain exercisable until the earlier of (x) thirty (30) days after the applicable vesting date and (y) the original expiration date of the Options. Any Equity Awards that do not vest in accordance with this Section 11(c) will be cancelled immediately.
- (vi) Payment of the Initial Severance, the Bonus Severance, the Additional Severance and continued vesting of the Equity Awards 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(b) other than the Basic Severance.
- (vii) If you are entitled to receive payments as a result of a Disability pursuant to Section 9, then upon a subsequent or concurrent termination of employment, you shall only be entitled to the payments under Sections 11(c)(i), (iv) and (v).

(d) **Termination For Cause or Termination In Breach of Section 10(a).** In the event your employment and this Agreement is terminated by the Employer under Section 10(b) or you terminate your employment in breach of Section 10(a), then:

- (i) You shall receive payment of the Basic Severance in a lump sum thirty (30) days following the Termination Date; and
- (ii) All outstanding Equity Awards shall cease to vest and, whether or not vested, shall no longer be exercisable and shall be cancelled immediately.

(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.

(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 Date, or, if earlier, the termination of this Agreement pursuant to Section 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.

(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.

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 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 Sections 10 and 11 of this Agreement).

(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 10 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 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 11 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.

(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.

(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(f), 8, 12(l), 12(m), 12(o), 12(p) and 12(r) 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 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 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:

To the Employer:	Activision Publishing, Inc. 3100 Ocean Park Boulevard Santa Monica, California 90405 Attention: Chief Executive Officer
To You:	55 E. Erie Street, #4201 Chicago, IL 60611
With a copy to:	Russell F. Conn, Esq. Conn Kavanaugh Rosenthal Peisch & Ford, LLP Ten Post office Square Boston, MA 02109

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.

ACCEPTED AND AGREED TO:

Employer

ACTIVISION PUBLISHING, INC.

By: /s/ Michael Griffith
Michael Griffith

Employee

/s/ Ann Weiser
Ann Weiser

Date: September 13, 2007

Date: September 17, 2007

Exhibit A

Proprietary Information Agreement

[TO COME]

[***] DENOTES CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

**CONFIDENTIAL LICENSE AGREEMENT
FOR THE Wii CONSOLE
(Western Hemisphere)**

THIS LICENSE AGREEMENT ("Agreement") is entered into between NINTENDO OF AMERICA INC. ("NOA") at 4820 150th Avenue N.E., Redmond, WA 98052 Attn: General Counsel (Fax: 425-882-3585) and ACTIVISION PUBLISHING, INC. ("LICENSEE") at 3100 Ocean Park Blvd., Santa Monica, CA 90405 Attn: Suzan Rude (Fax: 310-255-2100). NOA and LICENSEE agree as follows:

1. RECITALS

- 1.1 NOA markets and sells advanced design, high-quality video game systems, including the Wii video game console ("Wii").
- 1.2 LICENSEE desires use of the highly proprietary programming specifications, unique and valuable security technology, trademarks, copyrights and other valuable intellectual property rights of NOA and its parent company, Nintendo Co., Ltd., which rights are only available for use under the terms of a license agreement, to develop, have manufactured, advertise, market and sell video game software for play on Wii.
- 1.3 NOA is willing to grant a license to LICENSEE on the terms and conditions set forth in this Agreement.

2. DEFINITIONS

- 2.1 "Artwork" means the text and design specifications for the Game Disc label and the Printed Materials in the format specified by NOA in the Guidelines.
- 2.2 "Bulk Goods" means Game Discs that have been printed with the Game Disc label Artwork for delivery to LICENSEE without Printed Materials or other packaging.
- 2.3 "Check Disc(s)" means the pre-production Game Discs to be produced by Nintendo.
- 2.4 "Confidential Information" means the information described in Section 8.1.
- 2.5 "Development Tools" means the development kits, programming tools, emulators and other materials of Nintendo, or third parties authorized by Nintendo, that may be used in the development of Games under this Agreement.
- 2.6 "Effective Date" means October 12, 2006.
- 2.7 "Game Discs(s)" means custom optical discs for play on Wii on which a Game has been stored.
- 2.8 "Game(s)" means any interactive programs (including source and object/binary code) developed to be compatible with Wii.
- 2.9 "Guidelines" means the then current version of "Wii Programming Guidelines," "Licensee Packaging Guidelines," and "Nintendo Trademark Guidelines," together with other guidelines provided by NOA to LICENSEE from time to time.
- 2.10 "Independent Contractor" means any individual or entity that is not an employee of LICENSEE, including any independent programmer, consultant, contractor, board member or advisor.

2.11 "Intellectual Property Rights" means individually, collectively or in any combination, Proprietary Rights owned, licensed or otherwise held by Nintendo that are associated with the development, manufacturing, advertising, marketing or sale of the Licensed Products, including, without limitation, (a) registered and unregistered trademarks and trademark applications used in connection with Wii including Nintendo®, Wii™, Official Nintendo Seal of Quality®, and Mii™, (b) select trade dress associated with Wii and licensed video games for play thereon, (c) Proprietary Rights in the Security Technology employed in the Games or Game Discs by Nintendo, (d) rights in the Development Tools for use in developing the Games, excluding, however, rights to use, incorporate or duplicate select libraries, protocols and/or sound or graphic files associated with the Development Tools which belong to any third party and for which no additional licenses or consents are required, (e) patents, design registrations or copyrights which may be associated with the Game Discs or Printed Materials, (f) copyrights in the Guidelines, and (g) other Proprietary Rights of Nintendo in the Confidential Information.

2.12 "Licensed Products" means Bulk Goods after being assembled by or for LICENSEE with the Printed Materials in accordance with the Guidelines.

2.13 "Marketing Materials" means marketing, advertising or promotional materials developed by or for LICENSEE (or subject to LICENSEE's approval) that promote the sale of the Licensed Products, including but not limited to, television, radio and on-line advertising, point-of-sale materials (e.g., posters, counter-cards), package advertising, print media and all audio or video content other than the Game that is to be included on the Game Disc.

2.14 "NDA" means the non-disclosure agreement related to Wii previously entered into between NOA and LICENSEE.

2.15 "Nintendo" means NOA's parent company, Nintendo Co., Ltd., of Kyoto, Japan, individually or collectively with NOA.

2.16 "Notice" means any notice permitted or required under this Agreement. All notices shall be sufficiently given when (a) personally served or delivered, or (b) transmitted by facsimile, with an original sent concurrently by first class U.S. mail, or (c) deposited, postage prepaid, with a guaranteed air

courier service, in each case addressed as stated herein, or addressed to such other person or address either party may designate in a Notice. Notice shall be deemed effective upon the earlier of actual receipt or two (2) business days after transmittal, provided, however, any Notice received after the recipient's normal business hours will be deemed received on the next business day.

2.17 "Price Schedule" means the then current version of NOA's schedule of purchase prices and minimum order quantities for the Bulk Goods.

2.18 "Printed Materials" means a plastic disc storage case, title page, instruction booklet, warranty card and poster incorporating the Artwork.

2.19 "Promotional Disc(s)" means custom optical discs compatible with Wii that incorporate select game promotional or supplemental materials, as may be specified or permitted in the Guidelines.

2.20 "Proprietary Rights" means any rights or applications for rights owned, licensed or otherwise held in patents, trademarks, service marks, copyrights, mask works, trade secrets, trade dress, moral rights and publicity rights, together with all inventions, discoveries, ideas, technology, know-how, data, information, processes, formulas, drawings and designs, licenses, computer programs, software source code and object code, and all amendments, modifications, and improvements thereto for which such patent, trademark, service mark, copyright mask work, trade secrets, trade dress, moral rights or publicity rights may exist or may be sought and obtained in the future.

2.21 "Rebate Program" means any then current version of NOA's optional rebate program, establishing select terms for price rebates under this Agreement.

2

2.22 "Reverse Engineer(ing)" means, without limitation, (a) the x-ray, electronic scanning or physical or chemical stripping of semiconductor components, (b) the disassembly, decompilation, decryption or simulation of object code or executable code, or (c) any other technique designed to extract source code or facilitate the duplication of a program or product.

2.23 "Security Technology" means the highly proprietary security features of the Wii and the Licensed Products to minimize the risk of unlawful copying and other unauthorized or unsafe usage, including, without limitation, any security signature, bios, data scrambling, password, hardware security apparatus, watermark, hologram, encryption, digital rights management system, copyright management information system, proprietary manufacturing process or any feature which obstructs piracy, limits unlawful, unsafe or unauthorized use, or facilitates or limits compatibility with other hardware, software, accessories or peripherals, or with respect to a video game system other than the Wii, or limits distribution outside of the Territory.

2.24 "Term" means three (3) years from the Effective Date.

2.25 "Territory" means all countries within the Western Hemisphere and their respective territories and possessions.

2.26 "Wii Network Services" means and includes the Wii Shop Channel Services, WiiConnect24, and any related services and material delivered to a consumer's Wii console over the Internet.

3. **GRANT OF LICENSE; LICENSEE RESTRICTIONS**

3.1 **Limited License Grant.** For the Term and for the Territory, NOA grants to LICENSEE a nonexclusive, nontransferable, limited license to use the Intellectual Property Rights to develop (or have developed on LICENSEE's behalf) Games for manufacture, advertising, marketing and sale by LICENSEE as Licensed Products, subject to the terms and conditions of this Agreement. Except as permitted under a separate written authorization from Nintendo, LICENSEE shall not use the Intellectual Property Rights for any other purpose.

3.2 **LICENSEE Acknowledgement.** LICENSEE acknowledges (a) the valuable nature of the Intellectual Property Rights, (b) the right, title and interest of Nintendo in and to the Intellectual Property Rights, and (c) the right, title, and interest of Nintendo in and to the Proprietary Rights associated with all aspects of Wii. LICENSEE recognizes that the Development Tools, Games, Game Discs and Licensed Products will embody valuable rights of Nintendo and Nintendo's licensors. LICENSEE represents and warrants that it will not undertake any act or thing which in any way impairs or is intended to impair any part of the right, title, interest or goodwill of Nintendo in the Intellectual Property Rights. LICENSEE's use of the Intellectual Property Rights shall not create any right, title or interest of LICENSEE therein. Licensee is authorized and permitted to develop Games, and have manufactured, advertise, market, and sell Licensed Products, only for play on Wii and only in accordance with this Agreement.

3.3 **LICENSEE Restrictions and Prohibitions.** LICENSEE is not licensed to and covenants that, without the express, written consent of NOA, it will not at any time, directly or indirectly, do or cause to be done any of the following:

(a) grant access to, distribute, transmit or broadcast a Game by electronic means or by any other means known or hereafter devised, including, without limitation, by wireless, cable, fiber optic, telephone lines, microwave, radiowave, computer or other device network, except (a) as a part of wireless Game play on and among Wii systems, or between Wii and Nintendo DS systems (b) for the purpose of facilitating Game development under the terms of this Agreement, or (c) as otherwise approved in writing by Nintendo. LICENSEE shall use reasonable security measures, customary within the high technology industry, to reduce the risk of unauthorized interception or retransmission of any Game transmission. No right of retransmission shall attach to any authorized transmission of a Game;

3

(b) authorize or permit any online activities involving a Game, including, without limitation, multiplayer, peer-to-peer or online play, except as expressly permitted by Nintendo in writing;

(c) modify, install or operate a Game on any server or computing device for the purpose of or resulting in the rental, lease, loan or other grant of remote access to the Game;

(d) emulate, interoperate, interface or link a Game for operation or use with any hardware or software platform, accessory, computer language, computer environment, chip instruction set, consumer electronics device or device other than Wii, the Nintendo DS system, the Development Tools or such other Nintendo system as NOA may authorize in the Guidelines;

(e) embed, incorporate, or store a Game in any media or format except the optical disc format utilized by Wii, except as may be necessary as a part of the Game development process under this Agreement;

(f) design, implement or undertake any process, procedure, program or act designed to disable, obstruct, circumvent or otherwise diminish the effectiveness or operation of the Security Technology;

(g) utilize the Intellectual Property Rights to design or develop any interactive video game program, except as authorized under this Agreement;

(h) manufacture or reproduce a Game developed under this Agreement, except through Nintendo; or

(i) Reverse Engineer or assist in Reverse Engineering all or any part of Wii, including the hardware, software (embedded or not) or the Security Technology.

3.4 No Free-Riding; No Co-Publishing Arrangements. To protect Nintendo's valuable Intellectual Property Rights, to prevent the dilution of Nintendo's trademarks and to preclude free-riding by third parties on the goodwill associated with Nintendo's trademarks, the license granted under this Agreement is limited to LICENSEE and may not be delegated or contracted out for the benefit of a third party, or to a division, affiliate, or subsidiary of LICENSEE. This Agreement, together with all submissions, representations, undertakings and approvals contemplated of LICENSEE by this Agreement, is and shall remain the right and obligation only of LICENSEE. All Printed Materials and Marketing Materials for a Game shall prominently and accurately identify LICENSEE as NOA's licensee. NOA does not permit the designation or identification of any third party co-publisher for a Game on any Game Disc or Game Disc label Artwork, however, LICENSEE may identify a third party as a co-publisher, licensor, developer or other partner of LICENSEE in those Printed Materials (other than the Game Disc label), Marketing Materials or Game credits, as authorized under the Guidelines. For purposes of clarification, LICENSEE's name, or logo, will appear on the Licensed Product Game Disc case and Game Disc label as it appears in the preamble of this Agreement.

3.5 Development Tools. NOA and Nintendo Co., Ltd. may lease, loan or sell Development Tools to LICENSEE to assist in the development of Games under this Agreement. Ownership and use of any Development Tools shall be subject to the terms of this Agreement and any separate license or purchase agreement required by Nintendo or any third party licensing the Development Tools. LICENSEE acknowledges the respective interests of Nintendo, and in the case of third-party Development Tools, such third parties, in and to the Proprietary Rights associated with the Development Tools. LICENSEE's use of the Development Tools shall not create any right, title or interest of LICENSEE therein. LICENSEE shall not, directly or indirectly, (a) use the Development Tools for any purpose except the design and development of Games under this Agreement, (b) reproduce or create derivatives of the Development Tools, except in association with the development of Games under this Agreement, (c) Reverse Engineer the Development Tools, or (d) sell, lease, assign, lend, license, encumber or otherwise transfer the Development Tools. Anything developed or derived by LICENSEE as a result of a study of the performance, design or operation of any Nintendo Development Tools shall be

considered a derivative work of the Intellectual Property Rights and shall belong to Nintendo, but may be retained and utilized by LICENSEE in connection with this Agreement. In no event shall LICENSEE (i) seek, claim or file for any patent, copyright or other Proprietary Right with regard to any such derivative work, (ii) make available any such derivative work to any third party, or (iii) use any such derivative work except in connection with the design and development of Games under this Agreement. Anything developed or derived by LICENSEE as a result of a study of the performance, design or operation of any third-party Development Tools shall be governed by the terms of the license agreement applicable to such Development Tools. Notwithstanding any referral or information provided or posted regarding third-party Development Tools, NOA and Nintendo Co., Ltd. make no representations or warranties with regard to any such third-party Development Tools. LICENSEE acquires and utilizes third-party Development Tools at its own risk.

3.6 Third Party Developers. LICENSEE shall not disclose the Confidential Information, the Guidelines or the Intellectual Property Rights to any Independent Contractor, nor permit any Independent Contractor to perform or assist in development work for a Game, unless and until such Independent Contractor has signed a confidentiality agreement with LICENSEE that is no less restrictive than the terms of Section 8 below, and that expressly includes the following language [***]:

“Independent Contractor may have access to highly-confidential and proprietary information, intellectual property, and trade secrets of Nintendo Co., Ltd. and/or Nintendo of America Inc. (collectively, “Nintendo”). Independent Contractor expressly acknowledges (i) the valuable nature of such materials; and (ii) Nintendo's right, title and interest in such materials. All such materials constitute confidential information under this agreement and shall be treated by Independent Contractor as such. Independent Contractor shall not undertake any act or thing which in any way impairs or is intended to impair any part of the right, title, interest or goodwill of Nintendo in such materials. Independent Contractor's use of such materials shall not create any right, title or interest of Independent Contractor therein. Nintendo Co., Ltd. and Nintendo of America Inc. are intended third-party beneficiaries of this agreement.”

3.7 Games Developed for Linked Play on Two Systems. In the event the Guidelines permit LICENSEE to develop a Game for simultaneous or linked play on Wii and on another Nintendo video game system, LICENSEE shall be required to acquire and maintain with NOA such additional licenses as are necessary for the use of the Proprietary Rights associated with such other Nintendo video game system.

3.8 In Game Advertising. LICENSEE shall not include advertising or product placements for products or services of third parties, whether in the Game, as separate content on a Game Disc (e.g., a trailer), or in the Printed Materials without Nintendo's prior written consent.

3.9 Use of Wii Characters. LICENSEE shall not develop any Game that permits Nintendo's Mii characters to appear in the Game without NOA's prior written consent.

5

3.10 Sending Data to Consumers. LICENSEE shall not, without the prior, written consent of NOA, send any data, content, messages, advertising, or other communications of any kind to any consumer's Wii console through the Wii Network Services or otherwise.

3.11 Downloadable Content. If LICENSEE desires to develop Games, or updates/additions of any kind for any Licensed Product, to be downloaded to consumers through the Wii Network Services, the terms and conditions of such development shall be separately agreed in writing between the parties. LICENSEE acknowledges that the rights granted herein do not include the right to use the Intellectual Property Rights to develop downloadable content.

4. SUBMISSION AND APPROVAL OF GAME AND ARTWORK

4.1 Submission of a Completed Game to NOA. Upon completion of a Game, LICENSEE shall deliver a prototype of the Game to NOA in a format specified in the Guidelines. Delivery shall be made in accordance with the methods set forth in the Guidelines. Each Submission shall include such other information or documentation deemed necessary by NOA, including, without limitation, a complete set of written user instructions, a complete description of any security holes, backdoors, time bombs, cheats, "easter eggs" or other hidden features or characters in the Game and a complete screen text script. LICENSEE must establish that the Game and any other content included on the Game Disc complies with the Advertising Code of Conduct of the Entertainment Software Ratings Board ("ESRB") and that the Game has been rated EC, E, E10+, T or M (or another non-Adult Only category added by the ESRB) by the ESRB. LICENSEE shall provide NOA with a certificate of rating for the Game issued by the ESRB.

4.2 Testing of a Completed Game. Upon submission of a completed Game, NOA and Nintendo Co., Ltd. shall promptly test the Game with regard to its technical compatibility with and error-free operation on Wii, utilizing the lot check process. Within a reasonable period of time after receipt, NOA shall approve or disapprove such Game. If a Game is disapproved, NOA shall specify in writing the reasons for such disapproval and state what corrections are necessary. After making the necessary corrections, LICENSEE shall submit a revised Game to NOA for testing. NOA shall not unreasonably withhold or delay its approval of any Game. Neither the testing nor approval of a Game by NOA or Nintendo Co., Ltd. shall relieve LICENSEE of its sole responsibility for the development, quality and operation of the Game or in any way create any warranty by NOA or Nintendo Co., Ltd. relating to any Licensed Product.

4.3 Production of Check Discs. By submission of a completed Game to NOA in accordance with section 4.1, LICENSEE authorizes Nintendo to proceed with production of Check Discs for such Game. If NOA approves a Game, it shall promptly, and without further notification to or instruction from LICENSEE, submit such Game for the production of Check Discs. Unless otherwise advised by LICENSEE, following production of the Check Discs, NOA shall deliver to LICENSEE approximately ten (10) Check Discs for content verification, testing and final approval by LICENSEE.

4.4 Approval or Disapproval of Check Discs by LICENSEE. If, after review and testing, LICENSEE approves the Check Discs, it shall promptly transmit to NOA a signed authorization for production in the form specified in the Guidelines. If LICENSEE does not approve the sample Check Discs for any reason, LICENSEE shall advise NOA in writing and may, after undertaking any necessary changes or corrections, resubmit the Game to NOA for approval in accordance with the procedures set forth in this Section 4. The absence of a signed authorization form from LICENSEE within five (5) days after delivery of the Check Discs to LICENSEE shall be deemed disapproval of such Check Discs. Production of any order for Bulk Goods shall not proceed without LICENSEE's signed authorization.

4.5 Cost of Check Discs and Disc Stamper. If LICENSEE: (a) disapproves the Check Discs for any reason; (b) fails to order the minimum order quantity of any Game approved by NOA within six (6) months after the date the Game was first approved by NOA; or (c) submits a revised version of the Game to NOA after production of such Game has commenced, LICENSEE shall reimburse NOA (or its designee) for the reasonable estimated cost of the production of the Check Discs, including the cost of

6

the disc stamper. The payment will be due (i) thirty (30) days after NOA's written notification to LICENSEE of the Check Disc fee due NOA because of LICENSEE's failure to approve such Check Disc; (ii) six (6) months after the date the Game was first approved by NOA; or (iii) upon the subsequent submission by LICENSEE of a revised version of the Game to NOA, as the case may be.

4.6 Submission and Approval of Artwork. Prior to submitting a completed Game to NOA under Section 4.1, LICENSEE shall submit to NOA all Artwork for the proposed Licensed Product. Within ten (10) business days of receipt, NOA shall approve or disapprove the Artwork. If any Artwork is disapproved, NOA shall specify in writing the reasons for such disapproval and state what corrections or improvements are necessary. After making the necessary corrections or improvements, LICENSEE shall submit revised Artwork to NOA for approval. NOA shall not unreasonably withhold or delay its approval of any Artwork. The approval of the Artwork by NOA shall not relieve LICENSEE of its sole responsibility for the development and quality of the Artwork or in any way create any warranty for the Artwork or the Licensed Product by NOA. All Artwork must be approved prior to submitting an order for the Bulk Goods, and LICENSEE shall not produce any Printed Materials for commercial distribution until such Artwork has been approved by NOA.

4.7 Promotional Discs. In the event NOA issues Guidelines in the future that permit LICENSEE to develop and distribute Promotional Discs, either separately or as a part of the Licensed Product, the content and specifications of such Promotional Disc shall be subject to all of the terms and conditions of this Agreement, including, without limitation, the Guidelines, the Price Schedule and the submission and approval procedures provided for in this Section 4.

5. ORDER PROCESS, PURCHASE PRICE, PAYMENT AND DELIVERY

5.1 Submission of Orders by LICENSEE. After receipt of NOA's approval for a Game and Artwork, LICENSEE may at any time submit a written purchase order to NOA for Bulk Goods for such Game. The terms and conditions of this Agreement shall control over any contrary or additional terms of such purchase order or any other written documentation or verbal instruction from LICENSEE. All orders shall be subject to acceptance by NOA in Redmond, WA.

5.2 Purchase Price and Minimum Order Quantities. The purchase price and minimum order quantities for the Bulk Goods shall be set forth in NOA's then current Price Schedule. Unless otherwise specifically provided for, the purchase price includes the cost of manufacturing a single Game Disc, together with a royalty for the use of the Intellectual Property Rights. No taxes, duties, import fees or other tariffs related to the development, manufacture, import, marketing or sale of the Licensed Products (except for taxes imposed on NOA's income) are included in the purchase price and all such taxes are the responsibility of LICENSEE. The Price Schedule is subject to change by NOA at any time without Notice, provided however, that any price increase shall be applicable only to purchase orders submitted, paid for, and accepted by NOA after the effective date of the price increase.

5.3 Payment. Upon placement of an order with NOA, LICENSEE shall pay the full purchase price either (a) by tender of an irrevocable letter of credit in favor of NOA (or its designee) and payable at sight, issued by a bank acceptable to NOA and confirmed, if requested by NOA, at LICENSEE's expense, or (b) in cash, by wire transfer to an account designated by NOA. All letters of credit shall comply with NOA's written instructions and all associated banking charges shall be for LICENSEE's account.

5.4 Delivery of Bulk Goods. Bulk Goods shall be delivered to LICENSEE FCA Torrance, California, USA, or such other delivery point within the continental United States as may be specified by NOA. Orders may be delivered in partial shipments, at NOA's option. Title to Bulk Goods shall vest in LICENSEE in accordance with the terms of the applicable letter of credit, or in the absence thereof, upon delivery to LICENSEE and receipt by NOA of full payment for the shipment at issue. The term "FCA" shall have the same meaning for purposes of this Section as given by INCOTERMS 2000.

5.5 Rebate Program. NOA, at its sole option, may elect to offer LICENSEE a Rebate Program. The terms and conditions of any Rebate Program shall be subject to NOA's sole discretion.

LICENSEE shall not be entitled to offset any claimed rebate amount against other amounts owing NOA. No interest shall be payable by NOA to LICENSEE on any claimed rebate. The Rebate Program is subject to change or cancellation by NOA at any time without Notice.

6. MANUFACTURE OF THE LICENSED PRODUCT

6.1 Manufacturing. Nintendo Co., Ltd. shall be the exclusive source for the manufacture of the Game Discs, Check Discs and Promotional Discs, with responsibility for all aspects of the manufacturing process, including the selection of the locations and specifications for any manufacturing facilities, determination of materials and processes, appointment of suppliers and subcontractors and management of all work-in-progress. Upon acceptance by NOA of a purchase order from LICENSEE and receipt of payment as provided for at Section 5.3 herein, NOA shall place the order with Nintendo Co., Ltd. who shall (through its suppliers and subcontractors) arrange for manufacturing.

6.2 Security Features. The final release version of the Game, the Game Disc and the Printed Materials shall include such Security Technology as Nintendo, in its sole discretion, deems necessary or appropriate to (a) reduce the risk of unlawful copying or other unlawful, unsafe or unauthorized uses, (b) protect the Proprietary Rights of Nintendo and of the LICENSEE, (c) promote consumer confidence, and (d) increase the quality, reliability or operation of Wii.

6.3 Printed Materials for Bulk Goods. Upon delivery to LICENSEE of Bulk Goods, LICENSEE shall assemble the Printed Materials and Bulk Goods into the Licensed Products in accordance with the Guidelines. No other materials, items, products or packaging may be included or assembled with the Bulk Goods without NOA's prior written consent. Bulk Goods may be sold or distributed by LICENSEE only when fully assembled in accordance with the Guidelines.

6.4 Prior Approval of LICENSEE's Independent Contractors. Prior to the placement of a purchase order for Bulk Goods, LICENSEE shall obtain NOA's approval of any Independent Contractors selected to perform the production and assembly operations. LICENSEE shall provide NOA with the names, addresses and all business documentation reasonably requested by NOA for such Independent Contractors. NOA may, prior to approval and at reasonable intervals thereafter, (a) require submission of additional business or financial information regarding the Independent Contractors, (b) inspect applicable facilities of the Independent Contractors, and (c) be present to supervise any work on the Licensed Products to be done by the Independent Contractors. If at any time NOA deems the Independent Contractor to be unable to meet quality, security or performance standards reasonably established by NOA, NOA may refuse to grant its approval or withdraw its approval upon Notice to LICENSEE. LICENSEE may not proceed with the production of the

Printed Materials or assembly of the Licensed Product by such Independent Contractor until NOA's concerns have been resolved to its satisfaction or until LICENSEE has selected and received NOA's approval of another Independent Contractor. NOA may establish preferred or required supply sources for select components of the Printed Materials, or for assembly of Printed Materials and Bulk Goods into Licensed Products, which sources shall be deemed preapproved in accordance with this Section 6.4. LICENSEE shall comply with all sourcing requirements established by NOA.

6.5 Sample Printed Materials. Within a reasonable period of time after LICENSEE's assembly of an initial order for Bulk Goods for a Game title, LICENSEE shall provide NOA with (a) six (6) samples of the fully assembled Licensed Product, and (b) seventy-five (75) samples of the LICENSEE produced Printed Materials (excluding the plastic disc storage case, warranty card, and poster) for such Game title.

6.6 Retention of Sample Licensed Products by NOA. NOA or Nintendo may, at their own expense, manufacture reasonable quantities of the Bulk Goods, and make a reasonable number of copies of the Printed Materials to be used for archival purposes, legal proceedings against infringers of the Intellectual Property Rights and for other lawful purposes.

7. MARKETING AND ADVERTISING

7.1 Approval of Marketing Materials. LICENSEE represents and warrants that the Printed Materials and the Marketing Materials shall be of high quality and comply with (a) the Guidelines, (b) the ESRB's Advertising Code of Conduct and Principles and Guidelines for Responsible Advertising, and (c) all applicable laws and regulations in those jurisdictions in the Territory where they will be used or distributed, including without limitation all applicable privacy laws such as the Children's Online Privacy Protection Act. Prior to actual use or distribution, LICENSEE shall submit to NOA for review samples of all proposed Marketing Materials. NOA shall, within ten (10) business days of receipt, approve or disapprove of the quality of such samples. If any of the samples are disapproved, NOA shall specify the reasons for such disapproval and state what corrections and/or improvements are necessary. After making the necessary corrections and/or improvements, LICENSEE shall submit revised samples for approval by NOA. No Marketing Materials shall be used or distributed by LICENSEE without NOA's prior written approval. NOA shall not unreasonably withhold or delay its approval of any proposed Marketing Materials.

7.2 No Bundling. To protect Nintendo's valuable Intellectual Property Rights, to prevent the dilution of Nintendo's trademarks and to preclude free-riding by non-licensed products on the goodwill associated with Nintendo's trademarks, LICENSEE shall not market or distribute any Games or Game Discs that have been bundled with (a) any peripheral designed for use with Wii that has not been licensed or approved in writing by NOA, or (b) any other product or service where NOA's association, approval or endorsement might be suggested by bundling the products or services.

7.3 Warranty and Repair. LICENSEE shall provide the original consumer with a minimum ninety (90) day limited warranty on all Licensed Products. LICENSEE shall also provide reasonable product service, including out-of-warranty service, for all Licensed Products. LICENSEE shall make such warranty and repair information available to consumers as required by applicable federal and state law.

7.4 Business Facilities. LICENSEE agrees to develop and maintain (a) suitable office facilities within the United States, adequately staffed to enable LICENSEE to fulfill all responsibilities under this Agreement, (b) necessary warehouse, distribution, marketing, sales, collection and credit operations to facilitate proper handling of the Licensed Product, and (c) customer service and game counseling, including telephone service, to adequately support the Licensed Products.

7.5 No Sales Outside the Territory. LICENSEE covenants that it shall not market, sell, offer to sell, import or distribute the Licensed Products outside the Territory, or within the Territory when LICENSEE has actual or constructive knowledge that a subsequent destination of the Licensed Product is outside the Territory.

7.6 Defects and Recall. In the event of a material programming defect in a Licensed Product that would, in NOA's reasonable judgment, significantly impair the ability of a consumer to play the Game, NOA may, after consultation with LICENSEE, require the LICENSEE to recall the Licensed Product and undertake suitable repairs or replacements.

7.7 NOA Promotional Materials, Publications and Events. At its option and expense, NOA may (a) utilize screen shots, Artwork and information regarding the Licensed Products in Nintendo Power, Nintendo Power Source, official Nintendo sponsored web sites or other advertising, promotional or marketing media, which promote Nintendo products, services or programs, and (b) exercise public performance rights in the Games and use related trademarks and Artwork in connection with NOA sponsored contests, tours, conventions, trade shows, press briefings and similar events which promote Wii.

7.8 Nintendo Gateway System. To promote and increase demand for games on Nintendo video game systems, NOA licenses select games in various non-coin activated commercial settings such as commercial airlines, cruise ships, rail systems and hotels, where customers play games on specially adapted Nintendo video game hardware referred to as the "Nintendo Gateway System". If NOA identifies

8. CONFIDENTIAL INFORMATION

8.1 **Definition.** Confidential Information means information provided to LICENSEE by Nintendo or any third party working with Nintendo relating to the hardware and software for Wii or the Development Tools, including, but not limited to, (a) all current or future information, know-how, techniques, methods, information, tools, emulator hardware or software, software development specifications, proprietary manufacturing processes and/or trade secrets, (b) any information on patents or patent applications, (c) any business, legal, marketing, pricing or sales data or information, and (d) any other information or data relating to development, design, operation, manufacturing, marketing or sales. Confidential Information shall include all confidential information disclosed, whether in writing, orally, visually, or in the form of drawings, technical specifications, software, samples, pictures, models, recordings, or other tangible items which contain or manifest, in any form, the above listed information. Confidential Information shall not include (i) data and information which was in the public domain prior to LICENSEE's receipt of the same hereunder, or which subsequently becomes part of the public domain by publication or otherwise, except by LICENSEE's wrongful act or omission, (ii) data and information which LICENSEE can demonstrate, through written records kept in the ordinary course of business, was in its possession without restriction on use or disclosure, prior to its receipt of the same hereunder and was not acquired directly or indirectly from Nintendo under an obligation of confidentiality which is still in force, and (iii) data and information which LICENSEE can show was received by it from a third party who did not acquire the same directly or indirectly from Nintendo and to whom LICENSEE has no obligation of confidentiality.

8.2 **Disclosures Required by Law.** LICENSEE shall be permitted to disclose Confidential Information if such disclosure is required by an authorized governmental or judicial entity, provided that LICENSEE shall notify NOA at least thirty (30) days prior to such disclosure. LICENSEE shall use its best efforts to limit the disclosure to the greatest extent possible consistent with LICENSEE's legal obligations, and if required by NOA, shall cooperate in the preparation and entry of appropriate protective orders.

8.3 **Disclosure and Use.** NOA may provide LICENSEE with highly confidential development information, Guidelines, Development Tools, systems, specifications and related resources and information constituting and incorporating the Confidential Information to assist LICENSEE in the development of Games. LICENSEE agrees to maintain all Confidential Information as strictly confidential and to use such Confidential Information only in accordance with this Agreement. LICENSEE shall limit access to the Confidential Information to LICENSEE's employees, and Independent Contractors that are in compliance with the requirements of Section 3.6 above, having a strict need to know and shall advise such individuals of their obligation of confidentiality as provided herein. LICENSEE shall require each such individual retain in confidence the Confidential Information pursuant to a written non-disclosure agreement with LICENSEE. LICENSEE shall use its best efforts to ensure that individuals who are permitted hereunder to work with or otherwise having access to Confidential Information shall not disclose or make any unauthorized use of the Confidential Information.

8.4 **Agreement Confidentiality.** LICENSEE agrees that the terms, conditions and contents of this Agreement shall be treated as Confidential Information. Any public announcement or press release regarding this Agreement or the release dates for Games developed by LICENSEE under this Agreement shall be subject to NOA's prior written approval. The parties may disclose this Agreement (a) to accountants, banks, financing sources, lawyers, parent companies and related parties under substantially equivalent confidentiality obligations, (b) in connection with any formal legal proceeding for the enforcement of this Agreement, (c) as required by the regulations of the Securities and Exchange Commission ("SEC"), provided that all Confidential Information shall be redacted from such disclosures to the maximum extent allowed by the SEC, and (d) in response to lawful process, subject to a written protective order approved in advance by NOA.

8.5 **Notification Obligations.** LICENSEE shall promptly notify NOA of the unauthorized use or disclosure of any Confidential Information by LICENSEE or any of its employees, or any Independent Contractor or its employees, and shall promptly act to recover any such information and prevent further breach of the obligations herein. The obligations of LICENSEE set forth herein are in addition to and not in lieu of any other legal remedy that may be available to NOA under this Agreement or applicable law.

8.6 **Continuing Effect of the NDA.** The terms of this Section 8 supplement the terms of the NDA, which shall remain in effect. In the event of a conflict between the terms of the NDA and this Agreement, the provisions of this Agreement shall control.

9. REPRESENTATIONS AND WARRANTIES

9.1 **LICENSEE's Representations and Warranties.** LICENSEE represents and warrants that:

- (a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof,
- (b) the execution, delivery and performance of this Agreement by LICENSEE does not conflict with any agreement or understanding to which LICENSEE may be bound, and
- (c) excluding the Intellectual Property Rights, LICENSEE is either (i) the sole owner of all right, title and interest in and to the trademarks, copyrights and all other Proprietary Rights incorporated into the Game or the Artwork or used in the development, advertising, marketing and sale of the Licensed Products or the Marketing Materials, or (ii) the holder of such rights, including trademarks, copyrights and all other Proprietary Rights which belong to any third party but have been licensed from such third party by LICENSEE, as are necessary for incorporation into the Game or the Artwork or as are used in the development, advertising, marketing and sale of the Licensed Products or the Marketing Materials under this Agreement.

9.2 **NOA's Representations and Warranties.** NOA represents and warrants that:

- (a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof, and

(b) the execution, delivery and performance of this Agreement by NOA does not conflict with any agreement or understanding to which NOA may be bound.

9.3 **INTELLECTUAL PROPERTY RIGHTS DISCLAIMER.** NOA (ON ITS OWN BEHALF AND ON BEHALF OF NINTENDO CO., LTD. AND ITS AFFILIATES, LICENSORS, SUPPLIERS AND SUBCONTRACTORS) EXPRESSLY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES CONCERNING THE SCOPE OR VALIDITY OF THE INTELLECTUAL PROPERTY RIGHTS. NOA (ON ITS OWN BEHALF AND ON BEHALF OF NINTENDO CO., LTD. AND ITS AFFILIATES, LICENSORS, SUPPLIERS AND SUBCONTRACTORS) EXPRESSLY DISCLAIMS ANY WARRANTY THAT THE DESIGN, DEVELOPMENT, ADVERTISING, MARKETING OR SALE OF THE LICENSED PRODUCTS OR THE USE OF THE INTELLECTUAL PROPERTY RIGHTS BY LICENSEE WILL NOT INFRINGE UPON ANY PATENT, COPYRIGHT, TRADEMARK OR OTHER PROPRIETARY RIGHTS OF A THIRD PARTY. ANY WARRANTY THAT MAY BE PROVIDED IN ANY APPLICABLE PROVISION OF THE UNIFORM COMMERCIAL CODE OR ANY OTHER COMPARABLE LAW OR STATUTE IS EXPRESSLY DISCLAIMED. LICENSEE HEREBY ASSUMES THE RISK OF INFRINGEMENT.

9.4 **GENERAL DISCLAIMER.** NOA (ON ITS OWN BEHALF AND ON BEHALF OF NINTENDO CO., LTD. AND ITS AFFILIATES, LICENSORS, SUPPLIERS AND SUBCONTRACTORS) EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES WITH RESPECT TO THE BULK GOODS AND THE LICENSED PRODUCTS, INCLUDING, WITHOUT LIMITATION, THE SECURITY TECHNOLOGY. LICENSEE PURCHASES AND ACCEPTS ALL BULK GOODS AND LICENSED PRODUCTS ON AN "AS IS" AND "WHERE IS" BASIS. NOA (ON ITS OWN BEHALF AND ON BEHALF OF NINTENDO CO., LTD.

11

AND ITS AFFILIATES, LICENSORS, SUPPLIERS AND SUBCONTRACTOR) EXPRESSLY DISCLAIMS ALL WARRANTIES UNDER THE APPLICABLE LAWS OF ANY COUNTRY, EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A GENERAL OR PARTICULAR PURPOSE.

9.5 **LIMITATION OF LIABILITY.** TO THE MAXIMUM EXTENT PERMITTED BY LAW, NEITHER NOA NOR NINTENDO CO., LTD. (NOR THEIR AFFILIATES, LICENSORS, SUPPLIERS OR SUBCONTRACTORS) SHALL BE LIABLE FOR LOSS OF PROFITS, OR FOR ANY SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF LICENSEE OR ITS CUSTOMERS ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE BREACH OF THIS AGREEMENT BY NOA, THE MANUFACTURE OF THE BULK GOODS OR THE USE OF THE BULK GOODS ON ANY NINTENDO VIDEO GAME SYSTEM BY LICENSEE OR BY ANY END USER.

10. **INDEMNIFICATION**

10.1 **Claim.** "Claim" means any and all third party claims, demands, actions, suits, proceedings, losses, liabilities, damages, expenses and costs, including, without limitation, reasonable attorneys' fees and costs and any expenses incurred in the settlement or avoidance of any such claim. "Claim" shall specifically include civil, criminal, and regulatory matters, and those brought by any third party (including governmental authorities or agencies) under any federal, state, or foreign law or regulation, or the rules of any self-regulatory body (e.g., ESRB).

10.2 **LICENSEE's Indemnification.** LICENSEE shall indemnify and hold harmless NOA and Nintendo Co., Ltd. (and any of their respective affiliates, subsidiaries, licensors, suppliers, officers, directors, employees or agents) from any Claims which are alleged to result from or be in connection with:

- (a) a breach by LICENSEE of any of the provisions in this Agreement,
- (b) any infringement of a third party's Proprietary Rights as a result of the design, development, advertising, marketing, sale or use of any aspect of the Licensed Products, Promotional Materials or the Marketing Materials,
- (c) a defect, failure to warn, bodily injury (including death) or other personal or property damage arising out of, or in connection with, the design, development, advertising, marketing, sale or use of any aspect of the Licensed Products, and
- (d) the design, development, advertising, marketing, sale or use of any aspect of the Licensed Products, Promotional Materials or the Marketing Materials.

NOA and LICENSEE shall give prompt Notice to the other of any Claim which is or which may be subject to indemnification under this Section 10. With respect to any such Claim, LICENSEE, as indemnitor, shall have the right to select counsel and to control the defense and/or settlement thereof. NOA may, at its own expense, participate in such action or proceeding with counsel of its own choice. LICENSEE shall not enter into any settlement of any Claim in which (i) NOA or Nintendo Co., Ltd. has been named as a party, or (ii) Intellectual Property Rights have been asserted, without NOA's prior written consent. NOA shall provide reasonable assistance to LICENSEE in its defense of any Claim.

10.3 **LICENSEE's Insurance.** LICENSEE shall, at its own expense, obtain a comprehensive policy of general liability insurance (including coverage for advertising injury and product liability Claims) from an insurance company rated at least B+ by A.M. Best. Such policy of insurance shall be in an amount of not less than Five Million Dollars (\$5,000,000 US) on a per occurrence basis and shall provide for adequate protection against any Claims. Such policy shall name NOA and Nintendo Co., Ltd. as additional insureds and shall specify it may not be canceled without thirty (30) days' prior written Notice to NOA. A Certificate of Insurance shall be provided to NOA's Licensing Department not later than the date of the initial order of Bulk Goods under this Agreement. If LICENSEE fails to provide NOA's Licensing

12

Department with such Certificate of Insurance or fails to maintain such insurance at any time during the Term and for a period of two (2) years thereafter, NOA, in its sole discretion may 1) terminate this Agreement in accordance with Section 13.2 herein; and/or 2) secure comparable insurance, at LICENSEE's expense, for the sole benefit and protection of NOA and Nintendo Co., Ltd. .

10.4 Suspension of Production. In the event NOA deems itself at risk with respect to any Claim under this Section 10, NOA may, at its sole option, suspend production, delivery or order acceptance for any Bulk Goods, in whole or in part, pending resolution of such Claim.

11. PROTECTION OF PROPRIETARY RIGHTS

11.1 Joint Actions against Infringers. LICENSEE and NOA may agree to jointly pursue cases of infringement involving the Licensed Products, as such Licensed Products will contain Proprietary Rights owned by each of them. Unless the parties otherwise agree, or unless the recovery is expressly allocated between them by the court, in the event of such an action, any recovery shall be used first to reimburse LICENSEE and NOA for their respective reasonable attorneys' fees and costs, pro rata, and any remaining recovery shall be distributed to LICENSEE and NOA, pro rata, based upon the fees and costs incurred in bringing such action.

11.2 Actions by LICENSEE. LICENSEE, without the consent of NOA, may bring any action or proceeding relating to an infringement or potential infringement of LICENSEE's Proprietary Rights in the Licensed Products. LICENSEE shall make reasonable good faith efforts to inform NOA of such actions in a timely manner. LICENSEE will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

11.3 Actions by NOA. NOA, without the consent of LICENSEE, may bring any action or proceeding relating to an infringement or potential infringement of NOA's Intellectual Property Rights in the Licensed Products. NOA shall make reasonable, good faith efforts to inform LICENSEE of such actions likely to affect LICENSEE's rights in a timely manner. NOA will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

12. ASSIGNMENT

12.1 Definition. "Assignment" means every type and form of assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation of LICENSEE's rights or obligations under this Agreement, including, but not limited to, (a) a voluntary assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation by LICENSEE of all or any portion of its rights or obligations under this Agreement, (b) the assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation of all or any portion of LICENSEE's rights or obligations under this Agreement to or by LICENSEE's trustee in bankruptcy, receiver, or other individual or entity appointed to control or direct the business and affairs of LICENSEE, (c) an involuntary assignment, transfer, sale, sublicense, delegation, encumbrance, pledge or hypothecation of all or a portion of LICENSEE's rights or obligations under this Agreement, including but not limited to a foreclosure by a third party upon assets of LICENSEE, (d) the merger or consolidation of LICENSEE if LICENSEE is a corporation, and (e) any other means or method whereby rights or obligations of LICENSEE under this Agreement are sold, assigned or transferred to another individual or entity for any reason. Assignment also includes the sale, assignment, transfer or other event affecting a change in the controlling interest of LICENSEE, whether by sale, transfer or assignment of shares in LICENSEE, or by sale, transfer or assignment of partnership interests in LICENSEE, or otherwise.

12.2 No Assignment by LICENSEE. This Agreement and the subject matter hereof are personal to LICENSEE. No Assignment of LICENSEE's rights or obligations hereunder shall be valid or effective without NOA's prior written consent, which consent may be withheld by NOA for any reason whatsoever in its sole discretion. In the event of an attempted Assignment in violation of this provision, NOA shall have the right at any time, at its sole option, to immediately terminate this Agreement. Upon

such termination, NOA shall have no further obligation under this Agreement to LICENSEE or to LICENSEE's intended or purported assignee.

12.3 Proposed Assignment. Prior to any proposed Assignment of this Agreement, LICENSEE shall give NOA not less than thirty (30) days prior written Notice thereof, which Notice shall disclose the name of the proposed assignee, the proposed effective date of the Assignment and the nature and extent of the rights and obligations that LICENSEE proposes to assign. NOA may, in its sole discretion, approve or disapprove such proposed Assignment. Unless written consent is given by NOA to a proposed Assignment, any attempted or purported Assignment shall be deemed disapproved and NOA shall have the unqualified right, in its sole discretion, to terminate this Agreement at any time. Upon termination, NOA shall have no further obligation under this Agreement to LICENSEE or to LICENSEE's intended or purported assignee.

12.4 LICENSEE's Obligation of Non-Disclosure. LICENSEE shall not (a) disclose Nintendo's Confidential Information to any proposed assignee of LICENSEE, or (b) permit access to Nintendo's Confidential Information by any proposed assignee or other third party, without the prior written consent of NOA to such disclosure.

13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence on the Effective Date and continue for the Term, unless earlier terminated as provided for herein.

13.2 Default or Breach. In the event that either party is in default or commits a breach of this Agreement, which is not cured within thirty (30) days after Notice thereof, then this Agreement shall automatically terminate on the date specified in such Notice.

13.3 Bankruptcy. At NOA's option, this Agreement may be terminated immediately and without Notice in the event that LICENSEE (a) makes an assignment for the benefit of creditors, (b) becomes insolvent, (c) files a voluntary petition for bankruptcy, (d) acquiesces to any involuntary bankruptcy

petition, (e) is adjudicated as a bankrupt, or (f) ceases to do business.

13.4 Termination Other Than by Breach. Upon the expiration of this Agreement or its termination other than by LICENSEE's breach, LICENSEE shall have a period of one hundred eighty (180) days to sell any unsold Licensed Products. All Licensed Products in LICENSEE's control following the expiration of such sell-off period shall be destroyed by LICENSEE within ten (10) days and Notice of such destruction (with proof certified by an officer of LICENSEE) shall be delivered to NOA.

13.5 Termination by LICENSEE's Breach. If this Agreement is terminated by NOA as a result of a breach of its terms and conditions by LICENSEE, LICENSEE shall immediately cease all distribution, advertising, marketing or sale of any Licensed Products. All Bulk Goods and Licensed Products in LICENSEE's control as of the date of such termination shall be destroyed by LICENSEE within ten (10) days and Notice of such destruction (with proof certified by an officer of LICENSEE) shall be delivered to NOA.

13.6 Breach of NDA or other NOA License Agreements. At NOA's option, any breach by LICENSEE of (a) the NDA, or (b) any other license agreement between NOA and LICENSEE relating to the development of games for any Nintendo video game system, which breach is not cured within the time period for cure allowed under the applicable agreement, shall be considered a material breach of this Agreement entitling NOA to terminate this Agreement in accordance with Section 13.5 herein.

13.7 No Further Use of the Intellectual Property Rights. Upon expiration or termination of this Agreement, LICENSEE shall cease all use of the Intellectual Property Rights for any purpose, except as may be required in connection with the sale of the Licensed Products authorized under Section 13.4 herein. LICENSEE shall, within thirty (30) days of expiration or termination, (a) return to NOA all Development Tools provided to LICENSEE by Nintendo, and (b) return to NOA or destroy any and all

copies of materials constituting, relating to, or disclosing any Confidential Information, including but not limited to Guidelines, writings, drawings, models, data, and tools, whether in LICENSEE's possession or in the possession of any past or present employee, agent or Independent Contractor who received the information through LICENSEE. Proof of such return or destruction shall be certified by an officer of LICENSEE and promptly provided to NOA.

13.8 Termination by NOA's Breach. If this Agreement is terminated by LICENSEE as a result of a breach of its terms or conditions by NOA, LICENSEE may continue to sell the Licensed Products in the Territory until the expiration of the Term, at which time the provisions of Section 13.4 shall apply.

14. GENERAL PROVISIONS

14.1 Export Control. LICENSEE agrees to comply with the export laws and regulations of the United States and any other country with jurisdiction over the Intellectual Property Rights, the Licensed Products or the Development Tools.

14.2 Force Majeure. Neither party shall be liable for any breach of this Agreement occasioned by any cause beyond the reasonable control of such party, including governmental action, war, riot or civil commotion, fire, natural disaster, labor disputes, restraints affecting shipping or credit, delay of carriers, inadequate supply of suitable materials, or any other cause which could not with reasonable diligence be controlled or prevented by the parties. In the event of material shortages, including shortages of materials or production facilities necessary for production of the Bulk Goods, NOA reserves the right to allocate such resources among itself and its licensees.

14.3 Records and Audit. During the Term and for a period of two (2) years thereafter, LICENSEE agrees to keep accurate, complete and detailed records relating to the use of the Confidential Information, the Development Tools and the Intellectual Property Rights. Upon reasonable Notice to LICENSEE, NOA may, at its expense, audit LICENSEE's records, reports and other information related to LICENSEE's compliance with this Agreement; provided, however, that NOA shall not, during the course of the audit, access LICENSEE's source code, development plans, marketing plans, internal business plans or other items deemed confidential by LICENSEE, except to the extent such materials incorporate, disclose or reference Nintendo's Confidential Information or Intellectual Property Rights.

14.4 Waiver, Severability Integration, and Amendment. The failure of a party to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or of the right of such party to thereafter enforce such provision. In the event that any term, clause or provision of this Agreement shall be construed to be or adjudged invalid, void or unenforceable, such term, clause or provision shall be construed as severed from this Agreement, and the remaining terms, clauses and provisions shall remain in effect. Together with the NDA, this Agreement constitutes the entire agreement between the parties relating to the subject matter hereof. All prior negotiations, representations, agreements and understandings are merged into, extinguished by and completely expressed by this Agreement and the NDA. Any amendment to this Agreement shall be in writing, signed by both parties.

14.5 Survival. In addition to those rights specified elsewhere in this Agreement, the rights and obligations set forth in Sections 3, 8, 9, 10, 11, 12.4, 13.4, 13.7, 13.8 and 14 shall survive any expiration or termination of this Agreement to the degree necessary to permit their complete fulfillment or discharge.

14.6 Governing Law and Venue. This Agreement shall be governed by the laws of the State of Washington, without regard to its conflict of laws principles. Any legal actions (including judicial and administrative proceedings) with respect to any matter arising under or growing out of this Agreement, shall be brought in a court of competent jurisdiction in King County, Washington. Each party hereby consents to the jurisdiction and venue of such courts for such purposes.

14.7 Equitable Relief. LICENSEE acknowledges that in the event of its breach of this Agreement, no adequate remedy at law may be available to NOA and that NOA shall be entitled to seek injunctive or other equitable relief in addition to any relief available at law.

14.8 Attorneys' Fees. In the event it is necessary for either party to this Agreement to undertake legal action to enforce or defend any action arising out of or relating to this Agreement, the prevailing party in such action shall be entitled to recover from the other party all reasonable attorneys' fees, costs and expenses relating to such legal action or any appeal therefrom.

14.9 Counterparts and Signature by Facsimile. This Agreement may be signed in counterparts, which shall together constitute a complete Agreement. A signature transmitted by facsimile shall be considered an original for purposes of this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the dates set forth below.

NOA:
NINTENDO OF AMERICA INC.

LICENSEE :
ACTIVISION PUBLISHING, INC.

By: /s/ James R. Cannataro
Name: James R. Cannataro
Title: Executive VP, Administration
Date: Sept. 26, 2007

By: /s/ Greg Deutsch
Name: Greg Deutsch
Title: Vice President, Business and Legal Affairs
Date: Sept. 12, 2007

Chart of Compensation Paid to Non-Employee Directors**Cash Compensation for Directors**

Annual Retainer	\$	45,000
For Each Board or Committee Meeting Attended in Person or by Telephone	\$	2,500
For Service as Chairman of the Audit Committee	\$	20,000
For Service as Chairman of the Compensation Committee	\$	20,000
For Service as Chairman of the Nominating and Corporate Governance Committee	\$	10,000
For Service as an Audit Committee Member	\$	5,000
Per Day for Special Assignments	\$	5,000

Equity Compensation for Directors

Annual Stock Option Grant upon Re-election to the Board	10,000 shares *
Annual Restricted Stock Unit Award upon Re-election to the Board	5,000 units *
Stock Option Grant upon Initial Appointment or Election to the Board or Upon Ten Years of Continuous Service on the Board	20,000 shares **
Restricted Stock Unit Award upon Initial Appointment or Election to the Board or Upon Ten Years of Continuous Service on the Board	10,000 units **

*The annual stock option grants and annual restricted stock unit awards will vest ratably every three months over the one-year period from the date of grant.

**The stock option grants and restricted stock unit awards granted in connection with a director's initial election to the board or his or her tenth year of continuous service on the board (which are granted in lieu of the annual grant to the person in that year) will vest ratably every three months over the two-year period from the date of grant.

In addition to the compensation listed in the table above, non-employee directors are reimbursed for expenses incurred in attending board, committee and stockholder meetings.

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF SHARE OPTION AWARD

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

- Your name: **George Rose**
- Total number of Shares purchasable upon exercise of the Option awarded: **240,000**
- Exercise Price: US \$21.59 per Share
- Date of Grant: **September 28, 2007**
- Expiration Date: **September 28, 2017**
- Grant ID: **03001963**
- Your Award of the Option is governed by the terms and conditions set forth in:
 - this Notice of Share Option Award;
 - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Share Option Award has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *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 or one of its subsidiaries or affiliates through each 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>
March 31, 2008	80,000	80,000
March 31, 2009	80,000	160,000
March 31, 2010	80,000	240,000

- *Termination Without Cause or For Good Reason Continuation Period*: **24 months**
- *Termination on Death Acceleration Period*: **24 months**
- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***To accept your Award of the Option, you must sign and return to the Company this Notice of Share 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 Share Option Award to the Company at:***

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

You should retain the enclosed duplicate copy of this Notice of Share 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, INC.

By: /s/ Ann Weiser

ACCEPTED AND AGREED:

/s/ Georg L. Rose
George Rose

Date: November 6, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE 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.

“**Award Terms**” means these Share Option Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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 Agreement**” means the employment agreement between the Holder and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Violation**” means any material breach by the Holder of the Employment Agreement for so long as the terms thereof 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**” shall have the meaning given to such term in the Employment Agreement.

“**Grant Notice**” means the Notice of Share 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 option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. Amended and Restated 2003 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 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 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 Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the 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 Fair Market Value per share of Common Stock on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Stock 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 10 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock 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 Option was exercised and which were not sold.

“Shares” means the shares of Common Stock or other securities 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.

2

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

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

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; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder's lifetime only by the Holder. With the Committee's consent, all or part of the Option may be transferred in accordance with Section 7.3 of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it 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) in cash or by certified check or bank 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 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

3

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) For Cause or Without Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause or by the Holder in breach of Section 10(a) of the Employment Agreement, in each case prior to the vesting in full of the

Option, as of the date of such termination of employment the Option shall (i) cease to vest, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Without Cause or For Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by the Holder for Good Reason, in each case prior to the vesting in full of the Option, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued after the date of such termination for the "Termination Without Cause or For Good Reason Continuation Period" set forth on the Grant Notice and (ii) to the extent vested as of the last day of the period described in clause (i) of this Section 4(b), be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after that day and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(c) Death. In the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates prior to the vesting in full of the Option, the Option shall (i) vest as of the date of the Holder's death with respect to the number of Shares as to which the Option would have ultimately vested in accordance with the "Schedule for Vesting" set forth on the Grant Notice assuming the Holder's employment had continued thereafter for the "Termination on Death Acceleration Period" set forth on the Grant Notice and (ii) to the extent then vested, the Option shall be exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death and (B) the Expiration Date or, if the Expiration Date is a date within six months after the date of the Holder's death, the date

4

that is six months after the Holder's death (provided, however, that, if the Option is intended to qualify as an incentive stock option (as such term is defined in Section 422 of the Code), in no instance may the term of the Option exceed any maximum term established pursuant to the Plan with respect thereto), after which the Option shall no longer be exercisable and shall be cancelled.

(d) Other. Unless the Committee decides 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 prior to the vesting in full of the Option, 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 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 certified check or bank 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 shares of Common Stock or other securities 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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8, 9 or 11 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant

5

Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, the Holder consents to any amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8, 9 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to allow the Option to 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.

6

10. Employment Violation. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the 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 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 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.

11. Section 409A. 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, beneficiary or any other person of a penalty tax under Section 409A of the Code, the Committee may 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.

7

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 California, 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 in the 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 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.

8

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

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

- Your name: **George Rose**
- Total number of Restricted Share Units awarded: **25,000**
- Date of Grant: **September 28, 2007**
- Grant ID: **03001964**
- 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 Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in full on March 31, 2010, 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 "Annual Operating Plan" operating income objectives for the Company's 2008 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.
25% of total number	Achievement of "Annual Operating Plan" operating income objectives for the Company's 2009 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.

- *Termination Without Cause or For Good Reason Continuation Period:* **24 months**
- *Termination on Death Acceleration Period:* **24 months**
- **To accept your Award of Restricted Share Units, you must 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, 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.

By: /s/ Ann Weiser

Title: Chief Human Resources Officer

Date: November 6, 2007

ACCEPTED AND AGREED:

/s/ Georg L. Rose

George Rose

Date: November 6, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 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.

“**Award Terms**” means these Restricted Share Unit Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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 Agreement**” means the employment agreement between Grantee and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms thereof 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**” shall have 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. Amended and Restated 2003 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 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 Fair Market Value per share of Common Stock on the date such Vested Shares vested, (2) the arithmetic average of the per share closing sales prices of Common Stock 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 Stock 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 shares of Common Stock or other securities 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 shares of Common Stock or other securities to which the holder of Restricted Stock 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

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 share of Common Stock (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment.

(a) For Cause or Without Good Reason. In the event that Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause or by Grantee in breach of Section 10(a) of the Employment Agreement, in each case prior to the vesting of all Restricted Share Units, 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.

(b) Without Cause or For Good Reason. In the event that Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by Grantee for Good Reason, in each case prior to the vesting of all Restricted Share Units, (i) the Restricted Share Units shall continue to vest following the date of such termination of employment in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if Grantee's employment had continued thereafter for the "Termination Without Cause or For Good Reason Continuation Period" set forth on the Grant Notice and (ii) all other Restricted Share Units shall cease to vest as of the date of such termination of employment and shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) Death. In the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates prior to the vesting of all Restricted Share Units, as of the date of Grantee's death (i) the number of Restricted Share Units that would have ultimately vested in accordance with the "Schedule for Vesting" set forth on the Grant Notice assuming Grantee's employment had continued thereafter for the "Termination on Death Acceleration Period" set forth on the Grant Notice shall immediately vest and (ii) all other Restricted Share Units shall cease to vest and shall immediately be forfeited to the Company without payment of consideration by the Company.

(d) Other. Unless the Committee decides otherwise, in the event that Grantee's employment is terminated for any reason not addressed by Section 3(a), 3(b) or 3(c) hereof prior to the vesting of all Restricted Share Units, 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 by delivery to the Company of: (a) a certified check or bank check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the

3

Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, 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 shares of Common Stock or other securities 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 shares of Common Stock or other securities to which the holder of the Restricted Stock 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 Stock Units had vested, and the shares of Common Stock or other securities 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

dividend equivalents will be paid if the Restricted Stock Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment. Notwithstanding the foregoing, in no event shall dividend equivalents be paid later than the 45th day following the fiscal year in which dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, dividend equivalents will be treated separately from the Restricted Stock Units.

7. Receipt and Delivery.

(a) As soon as administratively practicable following the date that any Restricted Stock Units vest in accordance with Section 2 or 3 hereof, 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. For the avoidance of doubt, it is agreed and acknowledged that Restricted Stock Units that vest pursuant to Section 3(b) will be treated as vesting on the applicable date(s) described in the "Schedule for Vesting" set forth on the Grant Notice and the resulting Vested Shares shall be issued or transferred as soon as administratively practicable following such date(s), notwithstanding any lapse of a risk of forfeiture upon Grantee's termination of employment. In no event shall issuance or transfer of any resulting Vested Shares occur later than the last day of the calendar year in which vesting of the underlying Restricted Stock Units occurs (or, if later, the 15th day of the third calendar month following the date on which such vesting occurs).

4

(b) Notwithstanding Section 7(a) hereof, if the Committee determines in good faith that any such issuance, transfer or delivery 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, Grantee is a "specified employee" (as defined in Section 409A of the Code) and delay of payment is required by Section 409A of the Code but is not already provided for by this Agreement, the Company shall cause the issuance, transfer or delivery of such Vested Shares to Grantee (or Grantee's estate or beneficiary) upon the earlier of (a) the date that is six months after the date of such separation from service or (b) Grantee's death.

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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 9, 10 or 13 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, Grantee consents to any amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 9, 10 or 13 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

9. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles.

5

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 Committee's consent, Grantee may transfer Restricted Share Units to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or

adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such 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.

12. Employment Violation. 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

6

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. 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, beneficiary or any other person of a penalty tax under Section 409A of the Code, the Committee may 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.

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 California, 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

7

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 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.

8

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF SHARE OPTION AWARD

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

- Your name: **Ann Weiser**
- Total number of Shares purchasable upon exercise of the Option awarded: **200,000**
- Exercise Price: US \$**21.59** per Share
- Date of Grant: **September 28, 2007**
- Expiration Date: **September 28, 2017**
- Grant ID: **03001965**
- Your Award of the Option is governed by the terms and conditions set forth in:
 - this Notice of Share Option Award;
 - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Share Option Award has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *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 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
August 31, 2008	66,667	66,667
August 31, 2009	66,667	133,334
August 31, 2010	66,666	200,000

- *Termination Without Cause or For Good Reason Continuation Period*: **12 months**
- *Termination on Death Acceleration Period*: **12 months**
- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- **To accept your Award of the Option, you must sign and return to the Company this Notice of Share 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 Share Option Award to the Company at:**

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

You should retain the enclosed duplicate copy of this Notice of Share 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, INC.

ACCEPTED AND AGREED:

/s/ Ann Weiser

Ann Weiser

Date: November 5, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE 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.

“**Award Terms**” means these Share Option Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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 Agreement**” means the employment agreement between the Holder and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Violation**” means any material breach by the Holder of the Employment Agreement for so long as the terms thereof 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**” shall have the meaning given to such term in the Employment Agreement.

“**Grant Notice**” means the Notice of Share 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 option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

“**Plan**” means the Activision, Inc. Amended and Restated 2003 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 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 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 Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the 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 Fair Market Value per share of Common Stock on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Stock 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 10 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock 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 Option was exercised and which were not sold.

“**Shares**” means the shares of Common Stock or other securities 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.

2

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

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

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; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder’s lifetime only by the Holder. With the Committee’s consent, all or part of the Option may be transferred in accordance with Section 7.3 of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it 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) in cash or by certified check or bank 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 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

3

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) For Cause or Without Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause or by the Holder in breach of Section 10(a) of the Employment Agreement, in each case prior to the vesting in full of the Option, as of the date of such termination of employment the Option shall (i) cease to vest, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Without Cause or For Good Reason. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by the Holder for Good Reason, in each case prior to the vesting in full of the Option, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued after the date of such termination for the "Termination Without Cause or For Good Reason Continuation Period" set forth on the Grant Notice and (ii) to the extent vested as of the last day of the period described in clause (i) of this Section 4(b), be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after that day and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(c) Death. In the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates prior to the vesting in full of the Option, the Option shall (i) vest as of the date of the Holder's death with respect to the number of Shares as to which the Option would have ultimately vested in accordance with the "Schedule for Vesting" set forth on the Grant Notice assuming the Holder's employment had continued thereafter for the "Termination on Death Acceleration Period" set forth on the Grant Notice and (ii) to the extent then vested, the Option shall be exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death and (B) the Expiration Date or, if the Expiration Date is a date within six months after the date of the Holder's death, the date

4

that is six months after the Holder's death (provided, however, that, if the Option is intended to qualify as an incentive stock option (as such term is defined in Section 422 of the Code), in no instance may the term of the Option exceed any maximum term established pursuant to the Plan with respect thereto), after which the Option shall no longer be exercisable and shall be cancelled.

(d) Other. Unless the Committee decides 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 prior to the vesting in full of the Option, 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 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 certified check or bank 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 shares of Common Stock or other securities 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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8, 9 or 11 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant

5

Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, the Holder consents to any amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8, 9 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of

Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to allow the Option to 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.

6

10. Employment Violation. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the 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 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 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.

11. Section 409A. 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, beneficiary or any other person of a penalty tax under Section 409A of the Code, the Committee may 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.

7

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 California, 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 in the 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 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.

ACTIVISION, INC.
AMENDED AND RESTATED 2003 INCENTIVE PLAN
NOTICE OF RESTRICTED SHARE UNIT AWARD

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

- Your name: **Ann Weiser**
- Total number of Restricted Share Units awarded: **15,000**
- Date of Grant: **September 28, 2007**
- Grant ID: **03001966**
- 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 Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
 - *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in full on August 31, 2010, 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 August 31st of the year in which the Committee determines 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 "Annual Operating Plan" operating income objectives for the Company's 2008 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.
25% of total number	Achievement of "Annual Operating Plan" operating income objectives for the Company's 2009 fiscal year as established by the Committee on or prior to the 90 th day of such fiscal year.

- *Termination Without Cause or For Good Reason Continuation Period:* **12 months**
- *Termination on Death Acceleration Period:* **12 months**
- **To accept your Award of Restricted Share Units, you must 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, 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, INC.

By: George L. Rose

Title: Secretary

Date: November 5, 2007

ACCEPTED AND AGREED:

/s/ Ann Weiser

Ann Weiser

Date: November 5, 2007

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 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.

“**Award Terms**” means these Restricted Share Unit Award Terms.

“**Cause**” shall have the meaning given to such term in the Employment Agreement.

“**Common Stock**” means the Company’s common stock, \$0.000001 par value per share.

“**Company**” means Activision, 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 Agreement**” means the employment agreement between Grantee and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms thereof 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**” shall have 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. Amended and Restated 2003 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 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 Fair Market Value per share of Common Stock on the date such Vested Shares vested, (2) the arithmetic average of the per share closing sales prices of Common Stock 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 Stock 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 shares of Common Stock or other securities 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 shares of Common Stock or other securities to which the holder of Restricted Stock 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 share of Common Stock (subject to adjustment pursuant to Section 9 hereof).

3. **Termination of Employment.**

(a) **For Cause or Without Good Reason.** In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause or by Grantee in breach of Section 10(a) of the Employment Agreement, in each case prior to the vesting of all Restricted Share Units, 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.

(b) **Without Cause or For Good Reason.** In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates without Cause or by Grantee for Good Reason, in each case prior to the vesting of all Restricted Share Units, (i) the Restricted Share Units shall continue to vest following the date of such termination of employment in accordance with the “Schedule for Vesting” set forth on the Grant Notice as if Grantee’s employment had continued thereafter for the “Termination Without Cause or For Good Reason Continuation Period” set forth on the Grant Notice and (ii) all other Restricted Share Units shall cease to vest as of the date of such termination of employment and shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) **Death.** In the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates prior to the vesting of all Restricted Share Units, as of the date of Grantee’s death (i) the number of Restricted Share Units that would have ultimately vested in accordance with the “Schedule for Vesting” set forth on the Grant Notice assuming Grantee’s employment had continued thereafter for the “Termination on Death Acceleration Period” set forth on the Grant Notice shall immediately vest and (ii) all other Restricted Share Units shall cease to vest and shall immediately be forfeited to the Company without payment of consideration by the Company.

(d) **Other.** Unless the Committee decides otherwise, in the event that Grantee’s employment is terminated for any reason not addressed by Section 3(a), 3(b) or 3(c) hereof prior to the vesting of all Restricted Share Units, 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 by delivery to the Company of: (a) a certified check or bank check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the

3

Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, 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 shares of Common Stock or other securities 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 shares of Common Stock or other securities to which the holder of the Restricted Stock 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 Stock Units had vested, and the shares of Common Stock or other securities 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 dividend equivalents will be paid if the Restricted Stock Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment. Notwithstanding the foregoing, in no event shall dividend equivalents be paid later than the 45th day following the fiscal year in which dividends are paid. For purposes of the time and form of payment requirements of Section 409A of the Code, dividend equivalents will be treated separately from the Restricted Stock Units.

7. Receipt and Delivery.

(a) As soon as administratively practicable following the date that any Restricted Stock Units vest in accordance with Section 2 or 3 hereof, 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. For the avoidance of doubt, it is agreed and acknowledged that Restricted Stock Units that vest pursuant to Section 3(b) will be treated as vesting on the applicable date(s) described in the "Schedule for Vesting" set forth on the Grant Notice and the resulting Vested Shares shall be issued or transferred as soon as administratively practicable following such date(s), notwithstanding any lapse of a risk of forfeiture upon Grantee's termination of employment. In no event shall issuance or transfer of any resulting Vested Shares occur later than the last day of the calendar year in which vesting of the underlying Restricted Stock Units occurs (or, if later, the 15th day of the third calendar month following the date on which such vesting occurs).

4

(b) Notwithstanding Section 7(a) hereof, if the Committee determines in good faith that any such issuance, transfer or delivery 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, Grantee is a "specified employee" (as defined in Section 409A of the Code) and delay of payment is required by Section 409A of the Code but is not already provided for by this Agreement, the Company shall cause the issuance, transfer or delivery of such Vested Shares to Grantee (or Grantee's estate or beneficiary) upon the earlier of (a) the date that is six months after the date of such separation from service or (b) Grantee's death.

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, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 9, 10 or 13 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. 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. By accepting and agreeing to the Award, Grantee consents to any amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 9, 10 or 13 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

9. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, 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 or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. 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 of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles.

5

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 Committee's consent, Grantee may transfer Restricted Share Units to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such 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.

12. Employment Violation. 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

6

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. 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, beneficiary or any other person of a penalty tax under Section 409A of the Code, the Committee may 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.

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 California, 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 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.

CERTIFICATION

I, Robert A. Kotick, Chief Executive Officer of Activision, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Activision, 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 officers 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 officers 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 7, 2007

/s/ Robert A. Kotick
Robert A. Kotick
Chief Executive Officer
Activision, Inc.

CERTIFICATION

I, Michael Griffith, President and Chief Executive Officer of Activision Publishing, Inc. and Principal Executive Officer of Activision, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Activision, 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 officers 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 officers 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 7, 2007

/s/ Michael Griffith

Michael Griffith

President and Chief Executive Officer

Activision Publishing, Inc. and Principal Executive
Officer of Activision, Inc.

CERTIFICATION

I, Thomas Tippl, Chief Financial Officer of Activision Publishing, Inc. and Principal Financial and Accounting Officer of Activision, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Activision, 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 officers 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 officers 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 7, 2007

/s/ Thomas Tippl
Thomas Tippl
Chief Financial Officer of
Activision Publishing, Inc. and
Principal Financial and Accounting
Officer of Activision, 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, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2007 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.

/s/ Robert A. Kotick

Robert A. Kotick
Chief Executive Officer of
Activision, Inc.
November 7, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version 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, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Griffith, President and Chief Executive Officer of Activision Publishing, Inc., 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.

/s/ Michael Griffith

Michael Griffith
President and Chief Executive Officer
of Activision Publishing, Inc. and
Principal Executive Officer of
Activision, Inc.
November 7, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version 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, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Tippl, Chief Financial Officer of Activision Publishing, Inc., 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.

/s/ Thomas Tippl

Thomas Tippl
Chief Financial Officer of
Activision Publishing, Inc. and
Principal Financial and Accounting
Officer of Activision, Inc.
November 7, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version 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.
