

**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 March 31, 2012

OR

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

For the transition period from _____ to _____

Commission File Number 1-15839



ACTIVISION BLIZZARD, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-4803544

(I.R.S. Employer Identification No.)

3100 Ocean Park Boulevard, Santa Monica, CA

(Address of principal executive offices)

90405

(Zip Code)

(310) 255-2000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares of the registrant's Common Stock outstanding at May 1, 2012 was 1,111,710,032.

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This Quarterly Report on Form 10-Q contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and include, but are not limited to: (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow or other financial items; (2) statements of our plans and objectives, including those relating to product releases; (3) statements of future financial or operating performance; and (4) statements of assumptions underlying such statements. Activision Blizzard, Inc. ("Activision Blizzard") generally uses words such as "outlook," "forecast," "will," "could," "should," "would," "to be," "plans," "believes," "may," "expects," "intends," "anticipates," "estimate," "future," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "upcoming" and other similar expressions to help identify forward-looking statements. 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. Risks and uncertainties that may affect our future results include, but are not limited to, sales levels of Activision Blizzard's titles, increasing concentration of titles, shifts in consumer spending trends, the impact of the current macroeconomic environment and market conditions within the video game industry, Activision Blizzard's ability to predict consumer preferences, including interest in specific genres such as first-person action and massively multiplayer online games and preferences among competing hardware platforms, the seasonal and cyclical nature of the interactive game market, changing business models including digital delivery of content, competition including from used games and other forms of entertainment, possible declines in software pricing, product returns and price protection, product delays, adoption rate and availability of new hardware (including peripherals) and related software, rapid changes in technology and industry standards, litigation risks and associated costs, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality "hit" titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, and the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion, and the other factors identified in "Risk Factors" included in Part II, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011. The forward-looking statements contained herein are based upon information available to us as of the date of this Quarterly Report on Form 10-Q and we assume no obligation to update any such forward-looking statements. Although these forward-looking statements are believed to be true when made, they may ultimately prove to be incorrect. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from current expectations.

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions, except share data)

	At March 31, 2012	At December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,049	\$ 3,165
Short-term investments	427	360
Accounts receivable, net of allowances of \$234 million and \$300 million at March 31, 2012 and December 31, 2011, respectively	103	649
Inventories, net	146	144
Software development	148	137
Intellectual property licenses	22	22
Deferred income taxes, net	445	507
Other current assets	226	396
Total current assets	<u>4,566</u>	<u>5,380</u>
Long-term investments	17	16
Software development	91	62
Intellectual property licenses	12	12
Property and equipment, net	154	163
Other assets	15	12
Intangible assets, net	85	88
Trademark and trade names	433	433
Goodwill	7,109	7,111
Total assets	<u>\$ 12,482</u>	<u>\$ 13,277</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 181	\$ 390
Deferred revenues	917	1,472
Accrued expenses and other liabilities	676	694
Total current liabilities	<u>1,774</u>	<u>2,556</u>
Deferred income taxes, net	57	55
Other liabilities	165	174
Total liabilities	<u>1,996</u>	<u>2,785</u>
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, \$0.000001 par value, 2,400,000,000 shares authorized, 1,114,117,148 and 1,133,391,371 shares issued at March 31, 2012 and December 31, 2011, respectively	—	—
Additional paid-in capital	9,391	9,616
Retained earnings	1,128	948
Accumulated other comprehensive income (loss)	(33)	(72)
Total shareholders' equity	<u>10,486</u>	<u>10,492</u>
Total liabilities and shareholders' equity	<u>\$ 12,482</u>	<u>\$ 13,277</u>

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

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)

	For the Three Months Ended March 31,	
	2012	2011
Net revenues		

Product sales	\$	874	\$	1,061
Subscription, licensing, and other revenues		298		388
Total net revenues		1,172		1,449
Costs and expenses				
Cost of sales – product costs		257		299
Cost of sales – online subscriptions		59		63
Cost of sales – software royalties and amortization		31		61
Cost of sales – intellectual property licenses		7		29
Product development		124		142
Sales and marketing		79		60
General and administrative		102		102
Restructuring		—		19
Total costs and expenses		659		775
Operating income		513		674
Investment and other income (expense), net		1		2
Income before income tax expense		514		676
Income tax expense		130		173
Net income	\$	384	\$	503
Earnings per common share				
Basic	\$	0.34	\$	0.42
Diluted	\$	0.33	\$	0.42
Weighted-average shares outstanding				
Basic		1,120		1,173
Diluted		1,127		1,182
Dividends per common share	\$	0.18	\$	0.165

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

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Amounts in millions)

	For the Three Months Ended	
	March 31,	
	2012	2011
Net income	\$ 384	\$ 503
Other comprehensive income:		
Foreign currency translation adjustment	38	37
Unrealized gains on investments, net of deferred income taxes of \$1 million for March 31, 2012 and 2011	1	2
Other comprehensive income	\$ 39	\$ 39
Comprehensive income	\$ 423	\$ 542

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

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

	For the Three Months Ended	
	March 31,	
	2012	2011
Cash flows from operating activities:		

Net income	\$	384	\$	503
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred income taxes		65		150
Depreciation and amortization		23		26
Amortization and write-off of capitalized software development costs and intellectual property licenses				
(1)		30		69
Stock-based compensation expense (2)		21		23
Excess tax benefits from stock option exercises		(2)		(1)
Changes in operating assets and liabilities:				
Accounts receivable, net		553		554
Inventories, net		—		11
Software development and intellectual property licenses		(67)		(45)
Other assets		174		129
Deferred revenues		(576)		(716)
Accounts payable		(215)		(199)
Accrued expenses and other liabilities		(237)		(370)
Net cash provided by operating activities		<u>153</u>		<u>134</u>
Cash flows from investing activities:				
Proceeds from maturities of available-for-sale investments		115		154
Payment of contingent consideration		—		(3)
Purchases of available-for-sale investments		(187)		(161)
Capital expenditures		(9)		(4)
Decrease in restricted cash		4		—
Net cash used in investing activities		<u>(77)</u>		<u>(14)</u>
Cash flows from financing activities:				
Proceeds from issuance of common stock to employees		13		5
Repurchase of common stock		(261)		(343)
Excess tax benefits from stock option exercises		2		1
Net cash used in financing activities		<u>(246)</u>		<u>(337)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		54		63
Net decrease in cash and cash equivalents		(116)		(154)
Cash and cash equivalents at beginning of period		3,165		2,812
Cash and cash equivalents at end of period	\$	<u>3,049</u>	\$	<u>2,658</u>

(1) Excludes deferral and amortization of stock-based compensation expense.

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

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

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ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2012
(Unaudited)
(Amounts in millions)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
Balance at December 31, 2011	1,133	\$ —	\$ 9,616	—	\$ —	\$ 948	\$ (72)	\$ 10,492
Net income	—	—	—	—	—	384	—	384
Other comprehensive income	—	—	—	—	—	—	39	39
Issuance of common stock pursuant to employee stock options and restricted stock rights	3	—	13	—	—	—	—	13
Stock-based compensation expense related to employee stock options and restricted stock rights	—	—	23	—	—	—	—	23
Dividends (\$0.18 per common share) (See Note 10)	—	—	—	—	—	(204)	—	(204)
Shares repurchased (See Note 10)	—	—	—	(22)	(261)	—	—	(261)
Retirement of treasury shares	(22)	—	(261)	22	261	—	—	—
Balance at March 31, 2012	<u>1,114</u>	<u>\$ —</u>	<u>\$ 9,391</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 1,128</u>	<u>\$ (33)</u>	<u>\$ 10,486</u>

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

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

1. Description of business and basis of consolidation and presentation

Description of Business

Activision Blizzard, Inc. is a worldwide online, personal computer (“PC”), console, handheld, and mobile game publisher. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries. We maintain significant operations in the United States, Canada, the United Kingdom, France, Germany, Ireland, Italy, Sweden, Spain, the Netherlands, Australia, South Korea and China.

The common stock of Activision Blizzard is traded on The NASDAQ Stock Market under the ticker symbol “ATVI.” Vivendi S.A. (“Vivendi”) owned approximately 61% of Activision Blizzard’s outstanding common stock at March 31, 2012.

Currently, we operate under three operating segments:

Activision Publishing, Inc.

Activision Publishing, Inc. (“Activision”) is a leading international developer and publisher of interactive software products and content. Activision develops games based on both internally-developed and licensed intellectual property. Activision markets and sells games it develops and, through our affiliate label program, games developed by certain third-party publishers. We sell games both through retail channels and by digital download. Activision currently offers games that operate on the Sony Computer Entertainment, Inc. (“Sony”) PlayStation 3 (“PS3”), Nintendo Co. Ltd. (“Nintendo”) Wii (“Wii”), and Microsoft Corporation (“Microsoft”) Xbox 360 (“Xbox 360”) console systems; the Nintendo Dual Screen handheld game systems; the PC; Apple iOS devices and other handheld and mobile devices.

Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (“Blizzard”) is a leader in the subscription-based massively multi-player online role-playing game (“MMORPG”) category in terms of both subscriber base and revenues generated through its World of Warcraft® franchise, which it develops, hosts and supports. Blizzard also develops, markets and sells role-playing action and strategy PC-based computer games, including games in the multiple-award winning Diablo® and StarCraft® franchises. In addition, Blizzard maintains a proprietary online-game related service, Battle.net®. Blizzard distributes its products and generates revenues worldwide through various means, including: subscriptions (which consist of fees from individuals playing *World of Warcraft*, prepaid cards and other value-added service revenues such as realm transfers, faction changes, and other character customizations within *World of Warcraft* gameplay); retail sales of physical “boxed” products; online download sales of PC products; and licensing of software to third-party or related party companies that distribute *World of Warcraft* and *StarCraft II*®.

Activision Blizzard Distribution

Activision Blizzard Distribution (“Distribution”) consists of operations in Europe that provide warehousing, logistical and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Basis of Consolidation and Presentation

Activision Blizzard prepared the accompanying unaudited condensed consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission for interim reporting. As permitted under those rules and regulations, certain notes or other information that are normally required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted if they substantially duplicate the disclosures contained in the annual audited consolidated financial statements. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair statement of our financial position and results of operations in accordance with U.S. GAAP have been included in the accompanying unaudited condensed consolidated financial statements.

The accompanying consolidated financial statements include the accounts and operations of the Company. All intercompany accounts and transactions have been eliminated. The consolidated financial statements have been prepared in conformity with U.S. GAAP. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

The Company considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.

2. Inventories, net

Our inventories, net consist of the following (amounts in millions):

	At March 31, 2012	At December 31, 2011
Finished goods	\$ 107	\$ 116
Purchased parts and components	39	28
Inventories, net	<u>\$ 146</u>	<u>\$ 144</u>

3. Intangible assets, net

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

	At March 31, 2012			
	Estimated useful lives	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
License agreements	3 - 10 years	\$ 88	\$ (83)	\$ 5
Internally-developed franchises	11 - 12 years	309	(229)	80
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite	386	—	386
Acquired trade names	Indefinite	47	—	47
Total		<u>\$ 830</u>	<u>\$ (312)</u>	<u>\$ 518</u>
	At December 31, 2011			
	Estimated useful lives	Gross carrying amount	Accumulated amortization	Net carrying amount
Acquired definite-lived intangible assets:				
License agreements	3 - 10 years	\$ 88	\$ (82)	\$ 6
Game engines	2 - 5 years	32	(32)	—
Internally-developed franchises	11 - 12 years	309	(227)	82
Distribution agreements	4 years	18	(18)	—
Acquired indefinite-lived intangible assets:				
Activision trademark	Indefinite	386	—	386
Acquired trade names	Indefinite	47	—	47
Total		<u>\$ 880</u>	<u>\$ (359)</u>	<u>\$ 521</u>

Amortization expense of intangible assets was \$3 million and \$8 million for the three months ended March 31, 2012 and 2011, respectively.

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At March 31, 2012, future amortization of definite-lived intangible assets is estimated as follows (amounts in millions):

2012 (remaining nine months)	\$ 31
2013	28
2014	14
2015	7
2016	3
Thereafter	2
Total	<u>\$ 85</u>

4. Income taxes

The income tax expense of \$130 million for the three months ended March 31, 2012 reflected an effective tax rate of 25.3%, which was consistent with the effective tax rate of 25.6% for the three months ended March 31, 2011. The effective tax rate of 25.3% for the three months ended March 31, 2012 differed from the statutory rate of 35.0%, primarily due to foreign income taxes levied at relatively lower rates, geographic mix in profitability, recognition of California research and development credits and federal domestic production deductions. As the federal research credit expired on December 31, 2011 and, as of March 31, 2012, an extension of the credit had not been signed into law, we have excluded the benefit from this tax credit in our income tax calculation for the three months ended March 31, 2012.

The overall effective income tax rate for the year could be different from the effective tax rate for the three months ended March 31, 2012 and will be dependent, in part, on our profitability for the remainder of the year. In addition, our effective income tax rates for the remainder of 2012 and future periods will depend on a variety of factors, such as changes in the mix of income by tax jurisdiction, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audits and other matters, and variations in the estimated and actual level of annual pre-tax income or loss. Further, the effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected by the extent that income (loss) before income tax expenses (benefit) is lower than anticipated in foreign regions where taxes are levied at lower statutory rates and/or higher than anticipated in the United States where taxes are levied at higher statutory rates.

The Internal Revenue Service ("IRS") is currently examining the Company's federal tax returns for the 2009 tax year. The Company also has several state and non-U.S. audits pending. Although the final resolution of the Company's global tax disputes is uncertain, based on current information, in the opinion of the Company's management, the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated

financial position, liquidity or results of operations. However, an unfavorable resolution of the Company's global tax disputes could have a material adverse effect on the Company's business and results of operations in an interim period in which the matters are ultimately resolved.

5. Software development and intellectual property licenses

The following table summarizes the components of our capitalized software development costs and intellectual property licenses (amounts in millions):

	At March 31, 2012	At December 31, 2011
Internally developed software costs	\$ 131	\$ 115
Payments made to third-party software developers	108	84
Total software development costs	<u>\$ 239</u>	<u>\$ 199</u>
Intellectual property licenses	\$ 34	\$ 34

Amortization, write-offs and impairments of capitalized software development costs and intellectual property licenses are comprised of the following (amounts in millions):

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	Three Months Ended March 31,	
	2012	2011
Amortization of capitalized software development costs and intellectual property licenses	\$ 31	\$ 73
Write-offs and impairments	2	—

6. Fair value measurements

Financial Accounting Standards Board ("FASB") literature regarding fair value measurements for financial and non-financial assets and liabilities establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

We measure the fair value of certain assets on a non-recurring basis, generally annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For the three-month period ended March 31, 2012, there were no impairment charges related to assets that are measured on a non-recurring basis.

The table below segregates all assets that are measured at fair value on a recurring basis (which means they are so measured at least annually) and assets that are not subject to recurring fair value measurement into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date (amounts in millions):

	Fair Value Measurements at March 31, 2012 Using				Balance Sheet Classification
	March 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Recurring fair value measurements:					
Money market funds	\$ 2,975	\$ 2,975	\$ —	\$ —	Cash and cash equivalents
U.S. treasuries and government agency securities	415	415	—	—	Short-term investments
Auction rate securities ("ARS")	17	—	—	17	Long-term investments
Total recurring fair value measurements	<u>\$ 3,407</u>	<u>\$ 3,390</u>	<u>\$ —</u>	<u>\$ 17</u>	

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December 31,	Fair Value Measurements at December 31, 2011 Using			Total Gains	Balance Sheet
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		

	2011	(Level 1)	(Level 2)	(Level 3)	(Losses)	Classification
Recurring fair value measurements:						
Money market funds	\$ 2,869	\$ 2,869	\$ —	\$ —		Cash and cash equivalents
U.S. treasuries with original maturities of three months or less	2	2	—	—		Cash and cash equivalents
U.S. treasuries and government agency securities	344	344	—	—		Short-term investments
ARS	16	—	—	16		Long-term investments
Total recurring fair value measurements	<u>\$ 3,231</u>	<u>\$ 3,215</u>	<u>\$ —</u>	<u>\$ 16</u>		
Non-recurring fair value measurements:						
Goodwill (a)	\$ 7,111	\$ —	\$ —	\$ 7,111	\$ (12)	
Total non-recurring fair value measurements	<u>\$ 7,111</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,111</u>	<u>\$ (12)</u>	

(a) During our annual impairment review of goodwill performed as of December 31, 2011, we identified and recorded an impairment of \$12 million in our Distribution segment. The decrease in fair value of the reporting unit was primarily due to the decrease of forecasted revenue from our Distribution segment in view of the industry trend towards digital distribution.

The following tables provide a reconciliation of the beginning and ending balances of our financial assets classified as Level 3 by major categories (amounts in millions) at March 31, 2012 and 2011, respectively:

	Level 3	
	ARS (a)	Total financial assets at fair value
Balance at January 1, 2012	\$ 16	\$ 16
Total unrealized gains included in other comprehensive income	1	1
Balance at March 31, 2012	<u>\$ 17</u>	<u>\$ 17</u>
	Level 3	
	ARS (a)	Total financial assets at fair value
Balance at January 1, 2011	\$ 23	\$ 23
Total unrealized gains included in other comprehensive income	2	2
Balance at March 31, 2011	<u>\$ 25</u>	<u>\$ 25</u>

(a) Fair value measurements of the ARS have been estimated using an income-approach model

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(specifically, discounted cash-flow analysis). When estimating the fair value, we consider both observable market data and non-observable factors, including credit quality, duration, insurance wraps, collateral composition, maximum rate formulas, comparable trading instruments and the likelihood of redemption. Significant assumptions used in the analysis include estimates for interest rates, spreads, cash flow timing and amounts, and holding periods of the securities. Assets measured at fair value using significant unobservable inputs (Level 3) represent less than 1% of our financial assets measured at fair value on a recurring basis at March 31, 2012.

Foreign Currency Forward Contracts Not Designated as Hedges

We transact business in various currencies other than the U.S. dollar and have significant international sales and expenses denominated in currencies other than the U.S. dollar, subjecting us to currency exchange rate risks. To mitigate our risk from foreign currency fluctuations we periodically enter into currency derivative contracts, primarily swaps and forward contracts with maturities of twelve months or less, with Vivendi as our principal counterparty. We do not hold or purchase any foreign currency contracts for trading or speculative purposes and we do not designate these forward contracts or swaps as hedging instruments. Accordingly, we report the fair value of these contracts in our condensed consolidated balance sheet with changes in fair value recorded in our condensed consolidated statement of operations. The fair value of foreign currency contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

7. Operating segments and geographic region

Our operating segments are consistent with our internal organizational structure, the manner in which our operations are reviewed and managed by our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), the manner in which operating performance is assessed and resources are allocated, and the availability of separate financial information. We do not aggregate operating segments.

The CODM reviews segment performance exclusive of the impact of the change in deferred net revenues and related cost of sales with respect to certain of our online-enabled games, stock-based compensation expense, restructuring expense, and amortization of intangible assets. The CODM does not review any information regarding total assets on an operating segment basis and, accordingly, no disclosure is made with respect thereto. Information on the operating segments and reconciliations of total segment net revenues and total segment income from operations to consolidated net revenues and income before income tax expense from external customers for the three months ended March 31, 2012 and 2011 are presented below (amounts in millions):

	Three months ended March 31,			
	2012	2011	2012	2011
	Net revenues		Income from operations before income tax expense	
Activision	\$ 271	\$ 323	\$ —	\$ 48
Blizzard	251	357	89	170
Distribution	65	75	1	—
Operating segments total	587	755	90	218
Reconciliation to consolidated net revenues / consolidated income before income tax expense:				
Net effect from deferral of net revenues and related cost of sales	585	694	447	506
Stock-based compensation expense	—	—	(21)	(23)
Restructuring	—	—	—	(19)
Amortization of intangible assets	—	—	(3)	(8)
Consolidated net revenues / operating income	<u>\$ 1,172</u>	<u>\$ 1,449</u>	513	674
Investment and other income (expense), net			1	2
Consolidated income before income tax expense			<u>\$ 514</u>	<u>\$ 676</u>

Geographic information for the three months ended March 31, 2012 and 2011 is based on the location of the selling entity. Net revenues from external customers by geographic region were as follows (amounts in millions):

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	Three months ended March 31,	
	2012	2011
Net revenues by geographic region:		
North America	\$ 601	\$ 748
Europe	485	594
Asia Pacific	86	107
Total consolidated net revenues	<u>\$ 1,172</u>	<u>\$ 1,449</u>

Net revenues by platform were as follows (amounts in millions):

	Three months ended March 31,	
	2012	2011
Net revenues by platform:		
Online subscriptions*	\$ 256	\$ 395
Console	688	824
Hand-held	26	31
PC and Other	137	124
Total platform net revenues	1,107	1,374
Distribution	65	75
Total consolidated net revenues	<u>\$ 1,172</u>	<u>\$ 1,449</u>

*Revenue from online subscriptions consists of revenue from all *World of Warcraft* products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services, and revenues from *Call of Duty® Elite* memberships.

Long-lived assets by geographic region at March 31, 2012 and December 31, 2011 were as follows (amounts in millions):

	At March 31, 2012		At December 31, 2011	
	\$		\$	
Long-lived assets* by geographic region:				
North America	\$	99	\$	105
Europe		44		46
Asia Pacific		11		12
Total long-lived assets by geographic region	<u>\$</u>	<u>154</u>	<u>\$</u>	<u>163</u>

*We classify long-lived assets as long term tangible fixed assets by the location of the controlling statutory entity, which only includes property, plant and equipment assets, as all other long term assets are not allocated by location.

We did not have any single external customer that accounted for 10% or more of consolidated net revenues for the three months ended March 31, 2012 and 2011.

8. Goodwill

The changes in the carrying amount of goodwill by operating segment for the three months ended March 31, 2012 are as follows (amounts in millions):

	<u>Activision</u>	<u>Blizzard</u>	<u>Total</u>
Balance at December 31, 2011	\$ 6,933	\$ 178	\$ 7,111
Tax benefit credited to goodwill	(2)	—	(2)
Balance at March 31, 2012	<u>\$ 6,931</u>	<u>\$ 178</u>	<u>\$ 7,109</u>

The tax benefit credited to goodwill represents the tax deduction resulting from the exercise of stock options that were outstanding and vested at the consummation of the Business Combination and included in the purchase price of the Company, to

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the extent that the tax deduction did not exceed the fair value of those options. Conversely, to the extent that the tax deduction did exceed the fair value of those options, the tax benefit is credited to additional paid-in capital.

9. Computation of basic/diluted earnings per common share

The following table sets forth the computation of basic and diluted earnings per common share (amounts in millions, except per share data):

	<u>Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Numerator:		
Consolidated net income	\$ 384	\$ 503
Less: Distributed earnings to unvested stock-based awards that participate in earnings	(4)	(3)
Less: Undistributed earnings allocated to unvested stock-based awards that participate in earnings	(3)	(4)
Numerator for basic and diluted earnings per common share - net income available to common shareholders	<u>377</u>	<u>496</u>
Denominator:		
Denominator for basic earnings per common share - weighted-average common shares outstanding	1,120	1,173
Effect of potential dilutive common shares under the treasury stock method:		
Employee stock options	<u>7</u>	<u>9</u>
Denominator for diluted earnings per common share - weighted-average common shares outstanding plus dilutive effect of employee stock options	<u>1,127</u>	<u>1,182</u>
Basic earnings per common share	<u>\$ 0.34</u>	<u>\$ 0.42</u>
Diluted earnings per common share	<u>\$ 0.33</u>	<u>\$ 0.42</u>

Our unvested restricted stock rights are considered participating securities since these securities have non-forfeitable rights to dividends or dividend equivalents during the contractual period of the award. Since the unvested restricted stock rights are considered participating securities, we are required to use the two-class method in our computation of basic and diluted earnings per common share. For the three months ended March 31, 2012 and 2011, we had outstanding unvested restricted stock rights with respect to 19 million and 17 million shares of common stock on a weighted-average basis, respectively.

Potential common shares are not included in the denominator of the diluted earnings per common share calculation when inclusion of such shares would be anti-dilutive. Therefore, options to acquire 20 million and 32 million shares of common stock were not included in the calculation of diluted earnings per common share for the three months ended March 31, 2012 and 2011, respectively.

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10. Capital transactions

Repurchase Program

On February 3, 2011, our Board of Directors authorized a stock repurchase program under which we were authorized to repurchase up to \$1.5 billion of our common stock, on terms and conditions to be determined by the Company, until March 31, 2012. For the three months ended March 31, 2012, we repurchased 22 million shares of our common stock for an aggregate purchase price of \$261 million pursuant to that stock repurchase program.

On February 2, 2012, our Board of Directors authorized a new stock repurchase program under which we may repurchase up to \$1 billion of our common stock, on terms and conditions to be determined by the Company, during the period between April 1, 2012 and the earlier of March 31, 2013 and a determination by the Board of Directors to discontinue the repurchase program.

For the three months ended March 31, 2011, we repurchased 31 million shares of our common stock for an aggregate purchase price of \$343 million pursuant to stock repurchase plans authorized in 2010 and 2011.

Dividend

On February 9, 2012, our Board of Directors declared a cash dividend of \$0.18 per common share to be paid on May 16, 2012 to shareholders of record at the close of business on March 21, 2012. We have included \$204 million of dividends payable in accrued expense and other liabilities in respect of this payment.

On February 9, 2011, our Board of Directors approved a cash dividend of \$0.165 per common share to be paid on May 11, 2011 to shareholders of record as of March 16, 2011, and on May 11, 2011, we made a cash dividend payment of \$192 million to such shareholders. On August 12, 2011, the Company made dividend equivalent payments of \$2 million related to this cash dividend to the holders of restricted stock units.

11. Commitments and contingencies

At March 31, 2012, we did not have any significant changes to our commitments since December 31, 2011. See Note 17 of the Notes to Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2011 for more information regarding our commitments.

Legal Proceedings

The Company is subject to various legal proceedings and claims. FASB Accounting Standards Codification (ASC) Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. The Company records an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within the range. Moreover, even if an accrual is not appropriate, the Company provides additional disclosure related to litigation and other claims when it is reasonably possible (*i.e.*, more than remote) that the outcomes of such litigation and other claims include potential material adverse impacts on the Company. The outcomes of legal proceedings and other claims are subject to significant uncertainties, many of which are outside the Company's control. There is significant judgment required in the analysis of these matters, including the probability determination and whether a potential exposure can be reasonably estimated. In making these determinations, the Company, in consultation with outside counsel, examines the relevant facts and circumstances on a quarterly basis assuming, as applicable, a combination of settlement and litigated outcomes and strategies. Moreover, legal matters are inherently unpredictable and the timing of development of factors on which reasonable judgments and estimates can be based can be slow. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations, or liquidity.

After concluding an internal human resources inquiry into breaches of contract and insubordination by two senior employees at Infinity Ward, the Company terminated its employment of Jason West and Vince Zampella on March 1, 2010. On March 3, 2010, West and Zampella filed a complaint against the Company in Los Angeles Superior Court for breach of contract and wrongful termination, among other claims. In their complaint, West and Zampella alleged damages, including punitive damages, in excess of \$36 million, an amount they have since significantly increased during discovery to over \$1 billion, as well as declaratory relief. On April 9, 2010, the Company filed a cross complaint against West and Zampella, asserting claims for breach of contract and fiduciary duty, among other claims. The Company is seeking damages and declaratory relief.

In addition, 38 current and former employees of Infinity Ward filed a complaint against the Company in Los Angeles Superior Court on April 27, 2010 (*Alderman et al. v. Activision Publishing, Inc. et al.*). An amended complaint was filed on July 8, 2010, which added seven additional plaintiffs. On October 5, 2010, five plaintiffs, all current employees of Infinity Ward, filed dismissals without prejudice. There are currently 40 plaintiffs in the case. The plaintiffs have asserted claims for breach of contract, violation of the Labor Code of the State of California, conversion and other claims. In their complaint, the plaintiffs

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claimed that the Company failed to pay bonuses and other compensation allegedly owed to them in an amount at least between \$75 million to \$125 million, plus punitive damages, an amount they have since increased in discovery to approximately \$350 million, plus punitive damages. On October 12, 2010, the court consolidated this matter with the West and Zampella matter.

On January 18, 2011, the court granted the Company's motion to amend its cross complaint against West and Zampella to add allegations with respect to them and to add Electronic Arts, Inc. as a party. On January 31, 2011, the case was transferred to the complex division.

On March 5, 2012, the court ruled on a number of dispositive motions presented by the parties. Among them, the court granted the Company's motion to dismiss the Alderman plaintiffs' cause of action for conversion. The court denied, however, the Company's motion to dismiss West's and Zampella's claim for promissory fraud and the Company's motion to dismiss the Alderman plaintiffs' claims for damages resulting from bonuses allegedly owed after the dates of their resignations from the Company.

Some of the parties have filed, and are likely to file, additional pre-trial motions and discovery is almost complete. The court has set a trial date of May 29, 2012.

The Company has accrued and will continue to accrue appropriate amounts related to bonuses and other monies allegedly owed in connection with this matter. Due to the inherent uncertainties of litigation, particularly with respect to matters tried before juries, other potential outcomes are reasonably possible, including outcomes which are above the amount of the accrual. In light of the plaintiff's claims, which exceed \$1 billion, although the Company does not believe such a result would be justified, there is a range of reasonably possible outcomes that could have a material impact on the Company's

business, financial condition, results of operation or liquidity in an interim period as well as in the full reporting year in which the lawsuit is ultimately resolved or in which an increase in the accrual occurs.

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 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.

12. Related party transactions

Treasury

Our foreign currency risk management program seeks to reduce risks arising from foreign currency fluctuations. We use derivative financial instruments, primarily currency forward contracts and swaps, with Vivendi as our principal counterparty. The gross notional amount of outstanding foreign exchange swaps were \$74 million and \$85 million at March 31, 2012 and December 31, 2011, respectively. A pre-tax net unrealized loss of less than a million for each of the three months ended March 31, 2012 and 2011, resulted from the foreign exchange contracts and swaps with Vivendi and were recognized in the condensed consolidated statements of operations.

Other

Activision Blizzard has entered into various transactions and agreements, including cash management services, investor agreement, and music royalty agreements with Vivendi and its subsidiaries and other affiliates. None of these services, transactions and agreements with Vivendi and its affiliates is material, either individually or in the aggregate, to the condensed consolidated financial statements as a whole.

13. Recently issued accounting pronouncements

Fair value measurements and disclosures

Effective January 1, 2012, we adopted an update to the accounting rules for fair value measurement. The new accounting principal establishes a consistent definition of fair value in an effort to ensure that the fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (“IFRS”) are comparable. This update changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. This update does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use was already required or permitted by other standards within U.S. GAAP or IFRS. This update is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of this pronouncement did not have a material impact on the Company’s Condensed Consolidated Financial Statements and accompanying disclosures.

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Statement of comprehensive income

Effective January 1, 2012, we adopted the FASB issued authoritative guidance on the presentation of comprehensive income. This update requires that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The adoption of this pronouncement did not have a material impact on the Company’s Condensed Consolidated Financial Statements and accompanying disclosures.

Goodwill impairment

Effective January 1, 2012, the Company adopted an update to the authoritative guidance related to goodwill impairment testing. This update gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step test mandated prior to the update. If, after assessing the totality of events and circumstances, a company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it must perform the two-step test. Otherwise, a company may skip the two-step test. Companies are not required to perform the qualitative assessment and may, instead proceed directly to the first step of the two-part test. The adoption of this updated guidance does not have a material impact on the Company’s Condensed Consolidated Financial Statements.

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

Business Overview

Activision Blizzard, Inc. is a worldwide online, personal computer (“PC”), console, handheld, and mobile game publisher. The terms “Activision Blizzard,” the “Company,” “we,” “us,” and “our” are used to refer collectively to Activision Blizzard, Inc. and its subsidiaries. Based upon our organizational structure, we conduct our business through three operating segments as follows:

Activision Publishing, Inc.

Activision Publishing, Inc. (“Activision”) is a leading international developer and publisher of interactive software products and content. Activision develops games based on both internally-developed and licensed intellectual property. Activision markets and sells games it develops and, through our affiliate label program, games developed by certain third-party publishers. We sell games both through retail channels and by digital download. Activision currently offers games that operate on the Sony Computer Entertainment, Inc. (“Sony”) PlayStation 3 (“PS3”), Nintendo Co. Ltd. (“Nintendo”) Wii (“Wii”), and Microsoft Corporation (“Microsoft”) Xbox 360 (“Xbox 360”) console systems; the Nintendo Dual Screen (“NDS”) handheld game systems; the PC; Apple iOS devices and other handheld and mobile devices.

Blizzard Entertainment, Inc.

Blizzard Entertainment, Inc. (“Blizzard”) is a leader in the subscription-based massively multi-player online role-playing game (“MMORPG”) category in terms of both subscriber base and revenues generated through its World of Warcraft® franchise, which it develops, hosts and supports. Blizzard also develops, markets and sells role-playing action and strategy PC-based computer games, including games in the multiple-award winning Diablo® and StarCraft® franchises. In addition, Blizzard maintains a proprietary online-game related service, Battle.net®. Blizzard distributes its products and generates revenues worldwide through various means, including: subscriptions (which consist of fees from individuals playing World of Warcraft, prepaid cards and other value-added service revenues such as realm transfers, faction changes, and other character customizations within World of Warcraft gameplay); retail sales of physical “boxed” products; online download sales of PC products; and licensing of software to third-party or related party companies that distribute World of Warcraft and StarCraft II®.

Activision Blizzard Distribution

Activision Blizzard Distribution (“Distribution”) consists of operations in Europe that provide warehousing, logistical and sales distribution services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Business Highlights

For the three months ended March 31, 2012, Activision Blizzard had net revenues of \$1.2 billion, as compared to net revenues of \$1.4 billion for the same period in 2011, and earnings per diluted share of \$0.33, as compared to earnings per diluted share of \$0.42 for the same period in 2011.

According to The NPD Group, with respect to the U.S. market data, Charttrack and Gfk for Europe market data, for the first quarter of 2012, in the U.S. and Europe:

- *Call of Duty: Modern Warfare 3* was the #2 best-selling console game overall.
- *Skylanders Spyro's Adventure* (including accessory packs and figures) was the #3 best-selling game overall in dollars across all platforms and the #1 selling kids' title in dollars.
- Activision Blizzard had two top-10 PC titles, with Activision Publishing's *Call of Duty: Modern Warfare 3*, and with Blizzard Entertainment's *StarCraft II: Wings of Liberty*™.

On March 20, 2012, Activision Publishing released the *Call of Duty® Modern Warfare 3 Content Collection #1* for Xbox 360.

On March 20, 2012, Blizzard Entertainment announced that they renewed their license with NetEase for *World of Warcraft* in mainland China, adding an additional three years to the current license agreement. Further, Blizzard Entertainment launched the *World of Warcraft: Mists of Pandaria*™ beta on March 21, 2012.

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Activision Blizzard Recent and Upcoming Product Releases

Activision Publishing released the *Call of Duty® Modern Warfare 3 Content Collection #1* for PS3 on April 19, 2012 and the PC on May 8, 2012. On April 5, 2012, Activision Publishing expanded the reach of the Skylanders franchise with the debut of *Skylanders Cloud Patrol*™, an entirely new gaming experience for iPhone, iPad and iPod touch users. Also, on April 24, 2012, the company released *PROTOTYPE 2* for the Xbox 360, PS3 and PC.

Activision Publishing also expects to release two additional games during the second quarter of 2012, the Hasbro, Inc. branded game *BATTLESHIP*®, which is planned to launch in mid May 2012 timed to Universal Picture's upcoming feature film of the same name; and *The Amazing Spider-Man*™ video game, which is planned to launch in late June 2012 timed to Sony Picture Entertainment's upcoming feature film of the same name. Both games will be released on the Xbox 360, PS3, Wii, and NDS.

Additionally, Blizzard Entertainment expects to release *Diablo III* on May 15, 2012.

Management's Overview of Business Trends

We provide our products through both retail channels and digital online delivery methods. Many of our video games that are available through retailers as physical “boxed” software products such as DVDs are also available by direct digital download over the Internet (both from websites that we own and from others owned by third parties). In addition, we offer players downloadable content as add-ons to our products (*e.g.*, new multi-player content packs). Such digital online-delivered content is generally offered to consumers for a one-time fee.

We also offer subscription-based services for *World of Warcraft*, which are digitally delivered and hosted by Blizzard's proprietary online game related service, Battle.net. In November 2011, we launched *Call of Duty® Elite*, a digital service that provides both free and paid subscription-based content and features for the Call of Duty franchise. Digital revenues have become an increasingly important part of our business, and we continue to focus on and develop products that can be delivered via digital online channels.

Net revenues from digital online channels represented 27% of the total consolidated net revenues for the three months ended March 31, 2012. Net revenues from digital online channels excluding the impact of the change in deferred net revenues (a non-GAAP financial measure), represented 51% of the total consolidated net revenues for the three months ended March 31, 2012. We currently define digital online channel-related sales as revenues from

subscriptions and licensing royalties, value added services, downloadable content, digitally distributed products and wireless devices, which may differ from definitions used by our competitors or other companies.

Conditions in the retail channels of the video games industry have remained challenging and weakened during the first three months of 2012. In the U.S. and Europe, video game retail sales declined 24% as compared to the same period in 2011, according to The NPD Group, Charttrack and Gfk. The declines in the U.S. and European markets were driven by fewer releases in the three months ended March 31, 2012 as compared to the same period in 2011, as well as price declines experienced at the end of 2011. These factors have contributed to the Company's overall catalogue weakness in both U.S. and Europe for the three months ended March 31, 2012.

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Consolidated Statements of Operations Data

The following table sets forth consolidated statements of operations data for the periods indicated in dollars and as a percentage of total net revenues (amounts in millions):

	Three months ended March 31,			
	2012		2011	
Net revenues:				
Product sales	\$ 874	75%	\$ 1,061	73%
Subscription, licensing, and other revenues	298	25	388	27
Total net revenues	<u>1,172</u>	<u>100</u>	<u>1,449</u>	<u>100</u>
Costs and expenses:				
Cost of sales — product costs	257	22	299	21
Cost of sales — online subscriptions	59	5	63	4
Cost of sales — software royalties and amortization	31	3	61	4
Cost of sales — intellectual property licenses	7	—	29	2
Product development	124	10	142	10
Sales and marketing	79	7	60	4
General and administrative	102	9	102	7
Restructuring	—	—	19	1
Total costs and expenses	<u>659</u>	<u>56</u>	<u>775</u>	<u>53</u>
Operating income	513	44	674	47
Investment and other income (expense), net	1	—	2	—
Income before income tax expense	514	44	676	47
Income tax expense	130	11	173	12
Net income	<u>\$ 384</u>	<u>33%</u>	<u>\$ 503</u>	<u>35%</u>

Operating Segment Results

Our operating segments are consistent with our internal organizational structure, the manner in which our operations are reviewed and managed by our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), the manner in which operating performance is assessed and resources are allocated, and the availability of separate financial information. We do not aggregate operating segments.

The CODM reviews segment performance exclusive of the impact of the change in deferred net revenues and related cost of sales with respect to certain of our online-enabled games, stock-based compensation expense, restructuring expense, and amortization of intangible assets. The CODM does not review any information regarding total assets on an operating segment basis and, accordingly, no disclosure is made with respect thereto. Information on the operating segments and reconciliations of total segment net revenues and total segment income from operations to consolidated net revenues and income before income tax expense from external customers for the three months ended March 31, 2012 and 2011 are presented below (amounts in millions):

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	Three months ended March 31,		
	2012	2011	Increase (Decrease)
Segment net revenues:			
Activision	\$ 271	\$ 323	\$ (52)
Blizzard	251	357	(106)
Distribution	65	75	(10)
Operating segment net revenue total	<u>587</u>	<u>755</u>	<u>(168)</u>

Reconciliation to consolidated net revenues:			
Net effect from deferral of net revenues		585	694
Consolidated net revenues	\$	1,172	\$ 1,449

Segment income from operations:				
Activision	\$	—	\$ 48	\$ (48)
Blizzard		89	170	(81)
Distribution		1	—	1
Operating segment income from operations total		90	218	(128)

Reconciliation to consolidated operating income and consolidated income before income tax expense:			
Net effect from deferral of net revenues and related cost of sales		447	506
Stock-based compensation expense		(21)	(23)
Restructuring		—	(19)
Amortization of intangible assets		(3)	(8)
Consolidated operating income		513	674
Investment and other income (expense), net		1	2
Consolidated income before income tax expense	\$	514	\$ 676

Segment Net Revenues

Activision

Activision's net revenues decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to the later release and lower sales from downloadable content for *Call of Duty®: Modern Warfare 3* ("Content Collection #1") than for *Call of Duty®: Black Ops* ("First Strike") in the same period of 2011. Also, lower catalogue sales from Call of Duty franchise titles, and fewer releases in 2012 than in the same period of 2011 resulted in lower net revenues. These decreases in net revenues were partially offset by the continued strong performance of *Skylanders Spyro's Adventure™* (including toys and accessories associated with the Skylanders franchise), and revenues from *Call of Duty® Elite* memberships.

Blizzard

Blizzard's net revenues decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to lower *World of Warcraft* subscription revenues resulting from a lower number of subscribers, and lower catalogue revenues generated from *World of Warcraft: Cataclysm*, which was released in December 2010.

At March 31, 2012, the worldwide subscriber base for *World of Warcraft* was 10.2 million, compared to a subscriber base of 10.2 million at December 31, 2011, and 11.4 million at March 31, 2011. During the quarter there was a slight increase in subscribers in Asia. In general, the average revenue per subscriber is lower in Asia than in the U.S. and Europe. Looking forward, the company's objective is to deliver new game content for *World of Warcraft* in all regions to further appeal to the gaming community.

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Distribution

Distribution's net revenues decreased for the three months ended March 31, 2012 as compared to the same period in 2011, which was largely due to the weak video games retail sales environment, particularly in the United Kingdom, as well as unfavorable movements in foreign exchange rates.

Segment Income from Operations

Activision

For the three months ended March 31, 2012, Activision's operating income decreased as compared to the same period in 2011, primarily driven by lower net revenues as previously described and higher sales and marketing costs related to the Skylanders and Call of Duty franchises. The decrease was partially offset by lower costs of sales (consistent with lower net revenues), and lower operating expenses resulting from the restructuring activities implemented in February 2011.

Blizzard

Blizzard's operating income decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily as a result of the decrease in net revenues previously described. The decrease was partially offset by lower cost of sales (consistent with lower net revenues), and lower product development expenses from capitalization of upcoming title releases.

Non-GAAP Financial Measures

The analysis of revenues by distribution channel is presented both on a GAAP (including the impact from change in deferred revenues) and non-GAAP (excluding the impact from change in deferred revenues) basis. We use this non-GAAP measure internally when evaluating our operating performance, when planning, forecasting and analyzing future periods, and when assessing the performance of our management team. We believe this is

appropriate because this non-GAAP measure enables an analysis of performance based on the timing of actual transactions with our customers, which is consistent with the way the Company is measured by investment analysts and industry data sources, and facilitates comparison of operating performance between periods. In addition, excluding the impact from change in deferred net revenue provides a much more timely indication of trends in our sales and other operating results. While we believe that this non-GAAP measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant to be considered in isolation from, as a substitute for, or as more important than, the related financial information prepared in accordance with GAAP. In addition, this non-GAAP financial measure may not be the same as any non-GAAP measure presented by another company. This non-GAAP financial measure has limitations in that it does not reflect all of the items associated with our GAAP revenues. We compensate for the limitations resulting from the exclusion of the change in deferred revenues by considering the impact of that item separately and by considering our GAAP, as well as non-GAAP, revenues.

We currently define digital online channels-related sales as revenues from subscriptions and licensing royalties, value added services, downloadable content, digitally distributed products, and wireless devices.

The following table provides a reconciliation between GAAP and non-GAAP net revenues by distribution channel for the three months ended March 31, 2012 and 2011 (amounts in millions):

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	Three months ended March 31,		Increase (Decrease)
	2012	2011	
GAAP net revenues by distribution channel			
Retail channels	\$ 793	\$ 946	\$ (153)
Digital online channels	314	428	(114)
Total Activision and Blizzard	1,107	1,374	(267)
Distribution	65	75	(10)
Total consolidated GAAP net revenues	1,172	1,449	(277)
Change in deferred net revenues (1)			
Retail channels	(569)	(706)	
Digital online channels	(16)	12	
Total changes in deferred net revenues	(585)	(694)	
Non-GAAP net revenues by distribution channel			
Retail channels	224	240	(16)
Digital online channels	298	440	(142)
Total Activision and Blizzard	522	680	(158)
Distribution	65	75	(10)
Total non-GAAP net revenues (2)	\$ 587	\$ 755	\$ (168)

(1) We have determined that some of our game's online functionality represents an essential component of gameplay and as a result a more-than-inconsequential separate deliverable. As such, we are required to recognize the revenues of these game titles over the estimated service periods, which may range from a minimum of five months to a maximum of less than a year. In the table above, we present the amount of net revenues for each period as a result of the accounting treatment.

(2) Total non-GAAP net revenues presented also represents our total operating segment net revenues.

The decrease in GAAP and non-GAAP net revenues from digital online channels for the three months ended March 31, 2012 as compared to the same period in 2011 was attributable to the decline in net revenues from subscriptions and value added services from *World of Warcraft* and lower net revenues from Call of Duty downloadable content. *World of Warcraft* subscription revenues were down due to a lower subscriber base year-over-year. Revenues from Call of Duty downloadable content decreased significantly, reflecting lower sales of *Call of Duty®: Modern Warfare 3 Content Collection #1* in 2012 than *Call of Duty®: Black Ops First Strike* in 2011, partially driven by the later release of the downloadable content in 2012. The decrease was partially offset by revenues from *Call of Duty® Elite* memberships.

The decrease in GAAP and non-GAAP net revenues from retail channels for the three months ended March 31, 2012 as compared to the same period in 2011 was attributable to lower catalogue sales of Call of Duty franchise titles, lower revenues generated from *World of Warcraft: Cataclysm*, which was released in December 2010, lower catalogue revenues from *StarCraft II: Wings of Liberty*, which was released in July 2010, and fewer releases in 2012 than in the same period of 2011. The decrease was partially offset by revenues from *Skylanders Spyro's Adventure* (including toys and accessories associated with the Skylanders franchise).

Consolidated Results

Net Revenues by Geographic Region

The following table details our consolidated net revenues by geographic region for the three months ended March 31, 2012 and 2011 (amounts in millions):

	Three months ended March 31,		Increase (Decrease)
	2012	2011	
Geographic region net revenues:			
North America	\$ 601	\$ 748	\$ (147)
Europe	485	594	(109)

Asia Pacific	86	107	(21)
Consolidated net revenues	\$ 1,172	\$ 1,449	\$ (277)

The decrease in deferred revenues recognized by geographic region for the three months ended March 31, 2012 and 2011 was as follows (amounts in millions):

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	Three months ended March 31,		Increase (Decrease)
	2012	2011	
Decrease in deferred revenues recognized by geographic region:			
North America	\$ 331	\$ 383	\$ (52)
Europe	225	271	(46)
Asia Pacific	29	40	(11)
Total impact on consolidated net revenues	\$ 585	\$ 694	\$ (109)

As previously discussed, the Company's net revenues for the three months ended March 31, 2012 were negatively impacted by the lower Call of Duty catalogue and downloadable content sales, fewer releases and the lower *World of Warcraft* subscriber base year-over-year. These negative impacts were partially offset by the strong sales performance of *Skylanders Spyro's Adventure*TM (including toys and accessories associated with the Skylanders franchise), and revenues from *Call of Duty*[®] *Elite* memberships. These factors impacted net revenues in all regions. Furthermore, net revenue declined in Europe and Asia Pacific because we published *Lego Star Wars III*, on behalf of Lucas Arts in Europe and certain countries in Asia Pacific, in the first three months of 2011, while no comparable title was released in the first three month of 2012.

The decrease in deferred revenues recognized was primarily attributable to the lower revenues from our Call of Duty franchise titles and digital downloadable content, and lower Blizzard catalogue sales of *World of Warcraft: Cataclysm* and *Starcraft II: Wings of Liberty*. The decrease was partially offset by the recognition of deferred revenues from the initial launch of *Call of Duty*[®]: *Modern Warfare*[®] 3.

Foreign Exchange Impact

Changes in foreign exchange rates had a negative impact of approximately \$17 million on Activision Blizzard's net revenues for the three months ended March 31, 2012 as compared to the same period in 2011. The change is primarily due to the strengthening of the U.S. dollar relative to the British pound, the Euro, and the Australian dollar in 2012 compared to 2011.

Net Revenues by Platform

The following tables detail our net revenues by platform and as a percentage of total consolidated net revenues for the three months ended March 31, 2012 and 2011 (amounts in millions):

	Three months ended March 31, 2012	% of total consolidated net revenues	Three months ended March 31, 2011	% of total consolidated net revenues	Increase (Decrease)
Platform net revenues:					
Online subscriptions ¹	\$ 256	22%	\$ 395	27%	\$ (139)
PC and other	137	11	124	9	13
Console					
Sony PlayStation 3	300	26	342	24	(42)
Sony PlayStation 2	2	—	4	—	(2)
Microsoft Xbox 360	335	29	396	27	(61)
Nintendo Wii	51	4	82	6	(31)
Total console	688	59	824	57	(136)
Handheld	26	2	31	2	(5)
Total platform net revenues	1,107	94	1,374	95	(267)
Distribution	65	6	75	5	(10)
Total consolidated net revenues	\$ 1,172	100%	\$ 1,449	100%	\$ (277)

The increase / (decrease) in deferred revenues recognized by platform for the three months ended March 31, 2012 and 2011 was as follows (amounts in millions):

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	Three months ended March 31,		Increase (Decrease)
	2012	2011	
Increase/(decrease) in deferred revenues recognized by platform:			
Online subscriptions ¹	\$ 6	\$ 56	\$ (50)
PC and other	23	87	(64)

Console			
Sony PlayStation 3	263	244	19
Microsoft Xbox 360	277	259	18
Nintendo Wii	14	46	(32)
Total console	554	549	5
Total handheld	2	2	—
Total impact on consolidated net revenues	\$ 585	\$ 694	\$ (109)

¹ Revenue from online subscriptions consists of revenue from all *World of Warcraft* products, including subscriptions, boxed products, expansion packs, licensing royalties, and value-added services, and revenues from *Call of Duty® Elite* memberships.

Net revenues from online subscriptions decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily as a result of lower subscription revenues due to a lower subscriber base year-over-year, and also as a result of lower Blizzard catalogue sales from *World of Warcraft: Cataclysm*, which was released in December 2010. The decrease was partially offset from revenues from *Call of Duty® Elite* memberships. Net revenues from PC and other increased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily as a result of the strong performance of *Skylanders Spyro's Adventure™* (including toys and accessories associated with the Skylanders franchise). The increase was partially offset by the lower catalogue revenues from *StarCraft II: Wings of Liberty*, which was released in July 2010. Net revenues from PS3 and Xbox 360 decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to lower revenues from Call of Duty downloadable content and lower Call of Duty catalogue sales. Net revenues from Nintendo Wii decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to overall weaker catalogue sales and fewer releases.

The decrease in deferred revenues recognized for online subscriptions was primarily related to the recognition of deferred revenues in 2011 from *World of Warcraft: Cataclysm*, which was released in December 2010, and the impact of this decrease was partially offset by revenues from *Call of Duty® Elite* memberships in 2012. The decrease in deferred revenues recognized for PC and other was primarily related to the recognition of deferred revenues related to *StarCraft II: Wings of Liberty* in 2011, which launched in July 2010. The increase in deferred revenues recognized for PS3 and Xbox 360 primarily related to the strong initial launch performance of *Call of Duty®: Modern Warfare® 3*. The decrease in deferred revenues recognized for the Nintendo Wii primarily relates to overall weaker catalogue sales and fewer releases.

Costs and Expenses

Cost of Sales

The following tables detail the components of cost of sales in dollars and as a percentage of total consolidated net revenues for the three months ended March 31, 2012 and 2011 (amounts in millions):

	Three months ended March 31, 2012	% of consolidated net revenues	Three months ended March 31, 2011	% of consolidated net revenues	Increase (Decrease)
Product costs	\$ 257	22%	\$ 299	21%	\$ (42)
Online subscriptions	59	5	63	4	(4)
Software royalties and amortization	31	3	61	4	(30)
Intellectual property licenses	7	—	29	2	(22)

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Total cost of sales decreased for the three months ended March 31, 2012 as compared to the same period in 2011 consistent with the lower net revenues. This was partially offset by the increased cost of sales resulting from a slight increase in the mix of revenues from retail channels than digital channels in the first quarter ended March 31, 2012 as compared to the same period in 2011.

Product Development (amounts in millions)

	March 31, 2012	% of consolidated net revenues	March 31, 2011	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	\$ 124	10%	\$ 142	10%	\$ (18)

Product development costs decreased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to the costs reduction from the restructuring activities implemented in February 2011, as well as the increased amount of capitalization for future titles as they reached technological feasibility.

Sales and Marketing (amounts in millions)

	March 31, 2012	% of consolidated net revenues	March 31, 2011	% of consolidated net revenues	Increase (Decrease)
Three Months Ended	\$ 79	7%	\$ 60	4%	\$ 19

Sales and marketing expenses increased for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to increased investments in marketing activities, primarily related to our Call of Duty and Skylanders franchises.

General and Administrative (amounts in millions)

	<u>March 31, 2012</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2011</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 102	9%	\$ 102	7%	\$ —

There was no significant change in the components that make up the amount of general and administrative expenses for the three months ended March 31, 2012 as compared to the same period in 2011.

Restructuring (amounts in millions)

	<u>March 31, 2012</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2011</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ —	—%	\$ 19	1%	\$ (19)

On February 3, 2011, the Company's Board of Directors authorized a restructuring plan involving a focus on the development and publication of a reduced slate of titles on a going-forward basis, including the discontinuation of the development of music based games, the closure of the related business unit and the cancellation of other titles then in production, along with a related reduction in studio headcount and corporate overhead. The costs related to these activities included severance costs, facility exit costs, and exit costs from the cancellation of projects. Total charges related to the 2011 restructuring were \$25 million, which is reflected in a separate caption "Restructuring expenses" on our consolidated statement of operations for the year ended December 31, 2011. All costs associated with the 2011 restructuring were incurred in 2011.

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Investment and other income (expense), net (amounts in millions)

	<u>March 31, 2012</u>	<u>% of consolidated net revenues</u>	<u>March 31, 2011</u>	<u>% of consolidated net revenues</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 1	—%	\$ 2	—%	\$ (1)

Investment and other income (expense), net decreased for the three months ended March 31, 2012, as compared to the same period in 2011, primarily due to a reduction of yield earned as compared to the same period in 2011.

Income Tax Expense (amounts in millions)

	<u>March 31, 2012</u>	<u>% of Pretax income</u>	<u>March 31, 2011</u>	<u>% of Pretax income</u>	<u>Increase (Decrease)</u>
Three Months Ended	\$ 130	25.3%	\$ 173	25.6%	\$ (43)

The income tax expense of \$130 million for the three months ended March 31, 2012 reflected an effective tax rate of 25.3%, which was consistent with the effective tax rate of 25.6% for the three months ended March 31, 2011. The effective tax rate of 25.3% for the three months ended March 31, 2012 differed from the statutory rate of 35.0%, primarily due to foreign income taxes levied at relatively lower rates, geographic mix in profitability, recognition of California research and development credits and federal domestic production deductions. As the federal research credit expired on December 31, 2011 and, as of March 31, 2012, an extension of the tax credit had not been signed into law, we have excluded the benefit from this tax credit in our income tax calculation for the three months ended March 31, 2012.

The overall effective income tax rate for the year could be different from the effective tax rate for the three months ended March 31, 2012 and will be dependent, in part, on our profitability for the remainder of the year. In addition, our effective income tax rates for the remainder of 2012 and future periods will depend on a variety of factors, such as changes in the mix of income by tax jurisdiction, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audits and other matters, and variations in the estimated and actual level of annual pre-tax income or loss. Further, the effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected by the extent that income (loss) before income tax expenses (benefit) is lower than anticipated in foreign regions where taxes are levied at lower statutory rates and/or higher than anticipated in the United States where taxes are levied at higher statutory rates.

The IRS is currently examining the Company's federal tax returns for the 2009 tax year. The Company also has several state and non-U.S. audits pending. Although the final resolution of the Company's global tax disputes is uncertain, based on current information, in the opinion of the Company's management, the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations. However, an unfavorable resolution of the Company's global tax disputes could have a material adverse effect on the Company's business and results of operations in an interim period in which the matters are ultimately resolved.

Liquidity and Capital Resources

Sources of Liquidity (amounts in millions)

	<u>At March 31, 2012</u>	<u>At December 31, 2011</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents	\$ 3,049	\$ 3,165	\$ (116)
Short-term investments	427	360	67
	<u>\$ 3,476</u>	<u>\$ 3,525</u>	<u>\$ (49)</u>

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	<u>Three months ended March 31,</u>		<u>Increase (Decrease)</u>
	<u>2012</u>	<u>2011</u>	
Cash flows provided by operating activities	\$ 153	\$ 134	\$ 19
Cash flows used in investing activities	(77)	(14)	(63)
Cash flows used in financing activities	(246)	(337)	91
Effect of foreign exchange rate changes	54	63	(9)
Net decrease in cash and cash equivalents	<u>\$ (116)</u>	<u>\$ (154)</u>	<u>\$ 38</u>

Cash Flows Provided by Operating Activities

The primary drivers of cash flows provided by operating activities have typically included the collection of customer receivables generated by the sale of our products and our subscription revenues, partially offset by payments to vendors for the manufacturing, distribution and marketing of our products, payments to third-party developers and intellectual property holders, tax liabilities, and payments to our workforce. A significant operating use of our cash relates to our continued focus on customer service for our subscriber services, and investment in software development and intellectual property licenses. Cash flows provided by operating activities slightly increased for the three months ended March 31, 2012 as compared to the same period in 2011. The increase was primarily attributable to lower payment of taxes and operating expenses previously accrued than the amounts in the same period in 2011, which were partially offset by the decrease in overall net income for the period.

Cash Flows Used in Investing Activities

The primary drivers of cash flows used in investing activities have typically included capital expenditures, acquisitions and the net effect of purchases and sales/maturities of short-term investments. Cash flows related to investing activities during the three months ended March 31, 2012 mainly reflected the purchase of \$187 million of short-term investments, capital expenditures of \$9 million, primarily for property and equipment, and the receipt of \$115 million in proceeds from the maturities of investments, the majority of which consisted of U.S. treasury and government sponsored agency debt securities. Cash flows used in investing activities were higher, when comparing the three months ended March 31, 2012 to the same period in 2011, primarily due to increased purchases of short-term investments and decreased proceeds from the maturities of our investments.

Cash Flows Used in Financing Activities

The primary drivers of cash flows used in financing activities have historically related to transactions involving our common stock, including the issuance of shares of common stock to employees, payment of dividends and the repurchase of our common stock. We have not utilized debt financing as a source of cash flows. Cash flows used in financing activities during the three months ended March 31, 2012 primarily reflected the repurchase of 22 million shares of our common stock for \$261 million. The repurchases were partially offset by \$13 million of proceeds from the issuance of shares of our common stock to employees in connection with stock option exercises. Cash flows used in financing activities were lower for the three months ended March 31, 2012 as compared to the same period in 2011, primarily due to the decrease in share repurchase activities.

Other Liquidity and Capital Resources

In addition to cash flows provided by operating activities, our primary source of liquidity was \$3.5 billion of cash and cash equivalents and short-term investments at March 31, 2012. With our cash and cash equivalents and expected cash flows provided by operating activities, we believe that we have sufficient liquidity to meet daily operations in the foreseeable future. We also believe that we have sufficient working capital (\$2.8 billion at March 31, 2012) to finance our operational requirements for at least the next twelve months, including purchases of inventory and equipment, the development, production, marketing and sale of new products, the provision of customer service for our subscribers, the acquisition of intellectual property rights for future products from third parties, and to fund our stock repurchase program and dividends.

As of March 31, 2012, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was \$1.9 billion, compared with \$1.6 billion as of December 31, 2011. If these funds are needed for our operations in the U.S., we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

[Table of Contents](#)*Capital Expenditures*

For the year ending December 31, 2012, we anticipate total capital expenditures of approximately \$100 million, primarily for property and equipment. Through the first three months of 2012, we made aggregate capital expenditures of \$9 million.

Off-balance Sheet Arrangements

At March 31, 2012 and December 31, 2011, Activision Blizzard had no significant relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, that have or are reasonably likely to have a material future effect on our financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditures, or capital resources.

Financial Disclosure

We maintain internal controls over financial reporting, which generally includes those controls relating to the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). We also are focused on our “disclosure controls and procedures,” which as defined by the Securities and Exchange Commission (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 legal 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, and make refinements to, our disclosure controls and procedures, and our internal controls over financial reporting.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Accounting for Income Taxes

We record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with FASB income tax guidance (“ASC Topic 740”), the provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of ASC Topic 740 and other complex tax laws. Resolution of these uncertainties in a manner inconsistent with management’s expectations could have a material impact on our business and results of operations in an interim period in which the uncertainties are ultimately resolved.

Further, the Company’s provision for taxes can fluctuate if estimated earnings are lower than anticipated in our foreign region with a lower tax rate and/or higher than anticipated in our domestic region with higher tax rates.

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During the three months ended March 31, 2012, there were no significant changes to the following critical accounting policies and estimates. Refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011 for a more complete discussion of our critical accounting policies and estimates.

- Revenue Recognition
- Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence
- Software Development Costs and Intellectual Property Licenses
- Fair Value Estimates
- Goodwill and Intangible Assets — Impairment Assessments
- Stock-Based Compensation

Recently Issued Accounting Pronouncements

Fair value measurements and disclosures

Effective January 1, 2012, we adopted an update to the accounting rules for fair value measurement. The new accounting principal establishes a consistent definition of fair value in an effort to ensure that the fair value measurement and disclosure requirements between U.S. GAAP and International

Financial Reporting Standards (“IFRS”) are comparable. This update changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. This update does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use was already required or permitted by other standards within U.S. GAAP or IFRS. This update is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of this pronouncement did not have a material impact on the Company’s Condensed Consolidated Financial Statements and accompanying disclosures.

Statement of comprehensive income

Effective January 1, 2012, we adopted the FASB issued authoritative guidance on the presentation of comprehensive income. This update requires that all non-owner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The adoption of this pronouncement did not have a material impact on the Company’s Condensed Consolidated Financial Statements and accompanying disclosures.

Goodwill impairment

Effective January 1, 2012, the Company adopted an update to the authoritative guidance related to goodwill impairment testing. This update gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step test mandated prior to the update. If, after assessing the totality of events and circumstances, a company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it must perform the two-step test. Otherwise, a company may skip the two-step test. Companies are not required to perform the qualitative assessment and may, instead proceed directly to the first step of the two-part test. The adoption of this update guidance does not have a material impact on the Company’s Condensed Consolidated Financial 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.

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. Revenues and related expenses generated from our international operations are generally denominated in their respective local currencies. Primary currencies include euros, British pounds, Australian dollars, South Korean won, and Swedish krona. Currency volatility is monitored throughout the year. To mitigate our foreign currency exchange rate exposure resulting from our foreign currency-denominated monetary assets, liabilities and earnings, we periodically enter into currency derivative contracts, principally swaps and forward contracts with maturities of twelve months or less. Vivendi is our principal counterparty and the risks of counterparty non-performance associated with these contracts are not considered to be material. We expect to continue to use economic hedge programs in the future to reduce foreign exchange-related volatility 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 or speculative purposes. All foreign currency economic hedging transactions are backed, in amount and by maturity, by an identified economic underlying item. Our foreign exchange forward contracts are not designated as hedging instruments and are accounted for as derivatives whereby the fair value of the contracts are reported as other current assets or other current liabilities in our condensed

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consolidated balance sheets, and the associated gains and losses from changes in fair value are reported in investment and other income (expense), net and general and administrative expense in the condensed consolidated statements of operations.

The gross notional amount of outstanding foreign exchange swaps was \$74 million and \$85 million at March 31, 2012 and December 31, 2011, respectively. A pre-tax net unrealized loss of less than a million for each of the three months ended March 31, 2012 and 2011, resulted from the foreign exchange contracts and swaps with Vivendi and were recognized in the condensed consolidated statements of operations.

The consolidated statements of operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced revenues, operating expenses, and net income from our international operations. Similarly, our revenues, operating expenses, and net income will increase for our international operations if the U.S. dollar weakens against foreign currencies. In the absence of the hedging activities described above, as of March 31, 2012, a hypothetical adverse foreign currency exchange rate movement of 10% would have resulted in potential declines in our net income of approximately \$24 million. This sensitivity analysis assumes a parallel adverse shift of all foreign currency exchange rates against the U.S. dollar; however, all foreign currency exchange rates do not always move in such manner and actual results may differ materially.

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 to manage interest rate risk in our investment portfolio. Our investment portfolio consists primarily of debt instruments with high credit quality and relatively short average maturities and money market funds that invest in securities issued by governments with highly rated sovereign debt. Because short-term securities mature relatively quickly and must be reinvested at the then current market rates, interest income on a portfolio consisting of cash, cash equivalents or short-term securities is more subject to market fluctuations than a portfolio of longer term securities. Conversely, the fair value of such a portfolio is less sensitive to market fluctuations than a portfolio of longer term securities. At March 31, 2012, our \$3.05 billion of cash and cash equivalents were comprised primarily of money market funds. At March 31, 2012, our \$427 million of short-term investments included \$415 million of U.S. treasury and government sponsored agency debt securities and \$12 million of restricted cash. We had \$17 million in auction rate securities at fair value classified as long-term investments at March 31, 2012. The Company has determined that, based on the composition of our investment portfolio as of March 31, 2012, there was no material interest rate risk exposure to the Company’s consolidated financial position, results of operations or cash flows as of that date.

Item 4. Controls and Procedures

Definition and Limitations of Disclosure Controls and Procedures.

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

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures at March 31, 2012, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at March 31, 2012, 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 (i) recorded, processed, summarized, and reported on a timely basis, and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

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Changes in Internal Control Over Financial Reporting.

There have not been any changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Legal Proceedings

The Company is subject to various legal proceedings and claims. FASB Accounting Standards Codification (ASC) Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. The Company records an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within the range. Moreover, even if an accrual is not appropriate, the Company provides additional disclosure related to litigation and other claims when it is reasonably possible (*i.e.*, more than remote) that the outcomes of such litigation and other claims include potential material adverse impacts on the Company. The outcomes of legal proceedings and other claims are subject to significant uncertainties, many of which are outside the Company's control. There is significant judgment required in the analysis of these matters, including the probability determination and whether a potential exposure can be reasonably estimated. In making these determinations, the Company, in consultation with outside counsel, examines the relevant facts and circumstances on a quarterly basis assuming, as applicable, a combination of settlement and litigated outcomes and strategies. Moreover, legal matters are inherently unpredictable and the timing of development of factors on which reasonable judgments and estimates can be based can be slow. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations, or liquidity.

After concluding an internal human resources inquiry into breaches of contract and insubordination by two senior employees at Infinity Ward, the Company terminated its employment of Jason West and Vince Zampella on March 1, 2010. On March 3, 2010, West and Zampella filed a complaint against the Company in Los Angeles Superior Court for breach of contract and wrongful termination, among other claims. In their complaint, West and Zampella alleged damages, including punitive damages, in excess of \$36 million, an amount they have since significantly increased during discovery to over \$1 billion, as well as declaratory relief. On April 9, 2010, the Company filed a cross complaint against West and Zampella, asserting claims for breach of contract and fiduciary duty, among other claims. The Company is seeking damages and declaratory relief.

In addition, 38 current and former employees of Infinity Ward filed a complaint against the Company in Los Angeles Superior Court on April 27, 2010 (Alderman et al. v. Activision Publishing, Inc. et al). An amended complaint was filed on July 8, 2010, which added seven additional plaintiffs. On October 5, 2010, five plaintiffs, all current employees of Infinity Ward, filed dismissals without prejudice. There are currently 40 plaintiffs in the case. The plaintiffs have asserted claims for breach of contract, violation of the Labor Code of the State of California, conversion and other claims. In their complaint, the plaintiffs claimed that the Company failed to pay bonuses and other compensation allegedly owed to them in an amount at least between \$75 million to \$125 million, plus punitive damages, an amount they have since increased in discovery to approximately \$350 million, plus punitive damages. On October 12, 2010, the court consolidated this matter with the West and Zampella matter.

On January 18, 2011, the court granted the Company's motion to amend its cross complaint against West and Zampella to add allegations with respect to them and to add Electronic Arts, Inc. as a party. On January 31, 2011, the case was transferred to the complex division.

On March 5, 2012, the court ruled on a number of dispositive motions presented by the parties. Among them, the court granted the Company's motion to dismiss the Alderman plaintiffs' cause of action for conversion. The court denied, however, the Company's motion to dismiss West's and Zampella's claim for promissory fraud and the Company's motion to dismiss the Alderman plaintiffs' claims for damages resulting from bonuses allegedly owed after the dates of their resignations from the Company.

Some of the parties have filed, and are likely to file, additional pre-trial motions and discovery is almost complete. The court has set a trial date of May 29, 2012.

The Company has accrued and will continue to accrue appropriate amounts related to bonuses and other monies allegedly owed in connection with this matter. Due to the inherent uncertainties of litigation, particularly with respect to matters tried before juries, other potential outcomes are reasonably possible, including outcomes which are above the amount of the accrual. In light of the plaintiff's claims, which exceed \$1 billion, although the Company does not believe such a result would be justified, there is a range of reasonably possible outcomes that could have a material impact on the Company's business, financial condition, results of operation

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or liquidity in an interim period as well as in the full reporting year in which the lawsuit is ultimately resolved or in which an increase in the accrual occurs.

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 intellectual property rights, contractual claims, employment laws, regulations and relationships, and collection matters. In the opinion of management, after consultation with legal counsel, the outcome of such routine claims and lawsuits will not have a material adverse effect on our business, financial condition, results of operations, or liquidity.

Item 1A. Risk Factors

The reader should carefully consider, in connection with the other information in this report, the factors discussed in Part I, "Item 1A: Risk Factors" of the Company's 2011 Annual Report on Form 10-K. These factors could cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities

The following table provides the number of shares purchased and average price paid per share during the quarter ended March 31, 2012, the total number of shares purchased as part of our publicly announced repurchase programs, and the approximate dollar value of shares that may yet be purchased under our stock repurchase program at March 31, 2012.

Period	Total number of shares purchased (1) (2)	Average price paid per share (\$)	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the plans or programs (\$)
January 1, 2012—January 31, 2012	8,039,921	\$ 12.17	8,039,921	\$ 732,050,321
February 1, 2012—February 29, 2012	5,459,038	12.19	5,418,776	665,972,095
March 1, 2012—March 31, 2012	8,107,676	11.92	8,107,676	569,327,174
Total	21,606,635	12.08	21,566,373	

- (1) These purchases were made pursuant to the stock repurchase program (the "2011 Stock Repurchase Program") approved by our Board of Directors on February 3, 2011 and announced on February 9, 2011 pursuant to which we were authorized to repurchase up to \$1.5 billion of our common stock from time to time on the open market or in private transactions, including structured or accelerated transactions, on terms and conditions to be determined by the Company, until March 31, 2012.
- (2) In addition to purchases under the 2011 Stock Repurchase Program, included in this column are transactions under the Company's equity compensation plans involving the delivery to the Company of an aggregate of 40,262 shares of our common stock, with an average value of \$12.40 per share as of the date of delivery, to satisfy tax withholding obligations in connection with the vesting of restricted stock awards to our employees.

Item 6. Exhibits

The exhibits listed on the accompanying Exhibit Index are hereby incorporated by reference into this Quarterly Report on Form 10-Q.

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SIGNATURE

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

Date: May 9, 2012

ACTIVISION BLIZZARD, INC.

/s/ DENNIS DURKIN
 Dennis Durkin
 Chief Financial Officer and
 Principal Financial Officer of
 Activision Blizzard, Inc.

/s/ STEPHEN WEREB
 Stephen Wereb
 Chief Accounting Officer and
 Principal Accounting Officer of
 Activision Blizzard, Inc.

[Table of Contents](#)**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1	Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated July 9, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed July 15, 2008).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Activision Blizzard, Inc., dated August 15, 2008 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed August 15, 2008).
3.3	Amended and Restated By-Laws of Activision Blizzard, Inc., as amended and restated as of February 2, 2010 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed February 5, 2010).
10.1*	Notice of Stock Option Award, dated as of March 7, 2011, to Brian Hodous.
10.2*	Notice of Performance-Vesting Share Unit Award, dated as of March 7, 2011, to Brian Hodous.
10.3*	Notice of Restricted Share Unit Award, dated as of March 7, 2011, to Brian Hodous.
10.4*	Notice of Assignment of Hodous Employment Agreement to Activision Blizzard, Inc. dated December 22, 2011
10.5*	Employment Agreement, dated February 9, 2012, between Dennis Durkin and the Company.
10.6*	Notice of Stock Option Award, dated as of March 6, 2012, to Dennis Durkin.
10.7*	Notice of Performance-Vesting Share Unit Award, dated as of March 6, 2012, to Dennis Durkin.
10.8*	Notice of Restricted Share Unit Award, dated as of March 6, 2012, to Dennis Durkin.
10.9*	Letter Agreement, dated as of March 12, 2012, between the Company and Thomas Tippl (incorporated by reference to Exhibit 99.1 of the Company's Form 8-K, filed March 16, 2012).
10.10*	Letter Agreement, dated as of March 14, 2012, between the Company and Brian G. Kelly
10.11*	Employment Agreement, dated March 15, 2012, between Robert A. Kotick and the Company.
10.12*	Notice of Restricted Share Unit Award for grants under the Activision Blizzard, Inc. 2008 Incentive Plan.
10.13*	Notice of Performance Share Award for grants under the Activision Blizzard, Inc. 2008 Incentive Plan.
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 Dennis Durkin 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 Dennis Durkin pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

* Indicates a management contract or compensatory plan, contract or arrangement in which a director or executive officer of the Company participates.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at March 31, 2012 and December 31, 2011, (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and March 31, 2011, (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and March 31, 2011, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and March 31, 2011; (v) Condensed Consolidated Statement of Changes in Shareholders' Equity for the three months ended March 31, 2012; and (vi) Notes to Condensed Consolidated Financial Statements.

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

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

- Your name: **Brian Hodous**
- Total number of Shares purchasable upon exercise of the Stock Option awarded: **50,000**
- Exercise Price: **US\$10.9100** per Share
- Date of Grant: **3/7/2011**
- Expiration Date: **3/7/2021**
- Grant ID: **08005807**
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
 - the Company's Amended and Restated 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- **Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.**
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting		
Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
3/31/2013	50,000	50,000

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

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

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

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

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser

Ann E. Weiser
Chief Human Resources Officer

Date: 08/18/2011

ACCEPTED AND AGREED:

/s/ Brian Hodous

EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. Definitions.

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

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

“Cause” (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean that the Holder (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other improper conduct that causes, or in the sole and absolute discretion of the Company has the potential to cause, harm to the Company Group, including the business reputation or financial condition of any member of the Company Group; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, proprietary information agreement or any other agreement with the Company Group; (E) committed, was indicted on charges related to, convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty, moral turpitude or which could reflect negatively upon the Company Group or otherwise impede its operations; or (F) breached his or her fiduciary duties to the Company Group.

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

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

“Company Group” means the Company or any of its subsidiaries or other affiliates.

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

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

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

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

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

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

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

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

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

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

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

“Plan” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

“Section 409A” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

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

“Term Sheet” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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

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

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

3. Vesting and Exercise.

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

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

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

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by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. The Company shall determine the method or methods the Holder may use to make such payment, which may include any of the following: (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company’s consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, (iii) by tendering previously owned shares (valued at their Market Value per Share as of the date of tender), (iv) through the withholding of Shares otherwise deliverable upon exercise, or (v) any combination of (i), (ii), (iii) or (iv) above or any other manner permitted pursuant to the Plan.

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

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

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to

be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

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

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of

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employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

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

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

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

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

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

8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such

alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

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

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

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

11. Employment Violation. The terms of this Section 11 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) The Holder is responsible for complying with (a) any federal, state and local taxation laws applicable to the Holder in connection with the Award, (b) any federal and state securities laws applicable to the Holder in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation

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of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by the Holder in connection with the Award.

13. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

14. 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."

15. 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.

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

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

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

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19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and 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.

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

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

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

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AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

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

- Your name: **Brian Hodous**
- Total number of Restricted Share Units awarded: **40,000**
- Date of Grant: **March 7, 2011**
- Grant ID: **08005853**
- 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 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting:*

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest on or about, but no later than, March 15, 2013, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date:

**The Following Number of
Restricted Share Units Vest**

**If, and Only, if the Committee Determines that the
Following Has Occurred**

20,000

The operating income objectives for the Company set forth in the Company's 2011 annual operating plan which were approved by the Committee on or prior to the 90th day of that year have been met or exceeded

20,000

The operating income objectives for the Company set forth in the Company's 2012 annual operating plan which were approved by the Committee on or prior to the 90th day of that year have been met or exceeded

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

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

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

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

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser
Ann E. Weiser
Chief Human Resources Officer

Date: 08/18/2011

ACCEPTED AND AGREED:

/s/ Brian Hodous
Brian Hodous

Date: /s/ 08/26/2011

EXHIBIT A**AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.****2008 INCENTIVE PLAN****RESTRICTED SHARE UNIT AWARD TERMS**1. Definitions.

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

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

“**Cause**” (i) shall have the meaning given to such term in any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if Grantee is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean that Grantee (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other improper conduct that causes, or in the sole and absolute discretion of the Company has the potential to cause, harm to the Company Group, including the business reputation or financial condition of any member of the Company Group; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, proprietary information agreement or any other agreement with the Company Group; (E) committed, was indicted on charges related to, convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty, moral turpitude or which could reflect negatively upon the Company Group of otherwise impede its operations; or (F) breached his or her fiduciary duties to the Company Group.

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

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

“**Company Group**” means the Company or any of its subsidiaries or other affiliates.

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

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

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

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

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

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

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

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these

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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.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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

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

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

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

3. **Termination of Employment.**

(a) **Cause.** In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) **Other.** Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason other than for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. **Tax Withholding.** The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 4, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares

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otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

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

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

7. **Receipt and Delivery.** As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

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

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

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of

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

12. Employment Violation. The terms of this Section 12 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 7 hereof and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties

under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification.

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

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

15. Legend. 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."

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

17. 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.

18. 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.

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

20. 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.

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

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

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

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

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

- Your name: **Brian Hodous**
- Total number of Restricted Share Units awarded: **55,000**
- Date of Grant: **3/7/2011**
- Grant ID: **08005846**
- 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 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- **Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.**
- *Schedule for Vesting:*

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest in full on **3/31/2013**, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date.

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

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

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

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

ACTIVISION BLIZZARD, INC.

/s/ Ann E. Weiser
 Ann E. Weiser
 Chief Human Resources Officer

Date: 08/18/2011

ACCEPTED AND AGREED:

/s/ Brian Hodous
Brian Hodous

Date: /s/ 08/26/2011

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

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

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

“**Cause**” (i) shall have the meaning given to such term in any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if Grantee is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean that Grantee (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other improper conduct that causes, or in the sole and absolute discretion of the Company has the potential to cause, harm to the Company Group, including the business reputation or financial condition of any member of the Company Group; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, proprietary information agreement or any other agreement with the Company Group; (E) committed, was indicted on charges related to, convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty, moral turpitude or which could reflect negatively upon the Company Group of otherwise impede its operations; or (F) breached his or her fiduciary duties to the Company Group.

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

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

“**Company Group**” means the Company or any of its subsidiaries or other affiliates.

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

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

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

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

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

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

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

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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

“**Restricted Share Units**” means units subject to the Award, which represent the conditional right to receive Common Shares in accordance with the Grant Notice and these

Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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

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

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

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

3. **Termination of Employment.**

(a) **Cause.** In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) **Other.** Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason other than for Cause, as of the date of such termination of employment all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

4. **Tax Withholding.** The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 4, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares

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otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

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

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

7. **Receipt and Delivery.** As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company’s consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

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effect of the foregoing, the Committee may amend the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 9 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

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

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

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of

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

12. Employment Violation. The terms of this Section 12 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 7 hereof and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties

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under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification.

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

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

15. Legend. 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."

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

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17. 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.

18. 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.

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

20. 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.

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

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

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

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To: Brian Hodous, Chief Customer Officer
From: Chris Walther, Chief Legal Officer
Date: December 22, 2011
Re: Notice of Assignment of Employment Agreement to Activision Blizzard, Inc.

This letter is to inform you that effective January 1, 2012, Activision Publishing, Inc. ("Activision Publishing") hereby assigns all of its rights, title and interest in your employment agreement to Activision Blizzard, Inc. ("Activision Blizzard" or "Company"), and Activision Blizzard hereby accepts such assignment in its entirety including without limitation all of Activision Publishing obligations thereunder.

As a result of this change, you will see a change in your payroll documentation (e.g. paystubs, W-2's, etc.), which will now be administered by Activision Blizzard beginning January 1, 2012. Specifically, the governmental reporting entity listed on this documentation will change from Activision Publishing to Activision Blizzard.

Although consent of such assignment is not required pursuant to the terms of your employment agreement, the Company is requesting your signature below as acknowledgment of receipt of this letter. Please return a signed original to Raluca Roman in HR Operations, and a copy will be returned to you for your records and the signed original placed in your personnel file.

If you have any questions or concerns regarding the above, please feel free to contact me at Chris.Walther@activision.com or xt. 2059.

Acknowledged by:

/s/ Brian T. Hodous
Employee Name

01/03/2012
Date

cc: Personnel File

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “**Agreement**”) is entered into this 29th of February, 2012, between Activision Blizzard, Inc. (the “**Employer**” or “**Activision Blizzard**”) and, together with its subsidiaries, the “**Activision Blizzard Group**”), and Dennis Durkin (“**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 March 1, 2012 (the “**Effective Date**”) and shall end on March 15, 2017 (the “**Expiration Date**”) (or such earlier date on which your employment is terminated under Section 9). Except as set forth in Section 11(s), upon the Expiration Date (or such earlier date on which your employment is terminated) all obligations and rights under this Agreement shall immediately lapse.

(b) You and the Employer each agree to provide the other with at least six (6) months notice of any intent not to continue your employment following the Expiration Date. If your employment continues beyond the Expiration Date, you shall be an at-will employee whose employment may be terminated by either party 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 only the compensation set forth in this Section 2.

(b) Commencing on the Effective Date, you shall receive an annual base salary (“**Base Salary**”) of \$650,000.00, which shall be paid in accordance with the Employer’s payroll policies. Your Base Salary shall be reviewed periodically and may be increased (but not decreased) by an amount determined by the Employer, in its sole and absolute discretion, subject to the last sentence in this Section 2(b). The Employer’s regular periodic review of executive base salaries usually occurs in the first quarter of each calendar year. Beginning at such review in 2013 and continuing at each such annual review thereafter during the Term, your cumulative Base Salary increases shall not be less than five percent (5%) per annum, prorated for every other period not equal to one year, from the Effective Date.

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(c) You will be eligible to receive an annual discretionary bonus (the “**Annual Bonus**”). Upon commencement of the Term, your target Annual Bonus for each calendar year will be one hundred percent (100%) of your Base Salary. In all instances, the actual amount of the Annual Bonus, if any, shall be determined by the Employer, in its sole and absolute discretion, and may be based on, among other things, the portion of the year falling in the Term, your overall performance and the performance of the Employer, Activision Blizzard and the Activision Blizzard Group. The Annual Bonus, if any, will be paid at the same time bonuses for that year are generally paid to other executives, but in no event earlier than the first day of the first month, or later than the 15th day of the third month, of the year following the year to which the Annual Bonus relates. Except as otherwise set forth herein, you must remain continuously employed by the Activision Blizzard Group through the date on which an Annual Bonus, if any, is paid to be eligible to receive such Annual Bonus.

(d) Subject to the approval of the Compensation Committee of the Board of Directors of Activision Blizzard (the “**Compensation Committee**”), Activision Blizzard will grant to you a non-qualified stock option to purchase 300,000 shares of Activision Blizzard’s common stock (the “**Option**”), 350,000 restricted share units which represent the conditional right to receive shares of Activision Blizzard’s common stock (the “**RSUs**”), and 450,000 performance-vesting restricted share units which represent the right to receive shares of Activision Blizzard’s common stock (the “**Performance Share Units**”, and collectively with the Option and RSUs, the “**Equity Awards**”).

- (i) One-fourth of the Option will vest each of March 14, 2014, March 14, 2015, March 14, 2016, and March 14, 2017, subject to your remaining employed by the Activision Blizzard Group through the applicable vesting date.
- (ii) Except as set forth in Section 10(c)(iv)(B), one-fourth of the RSUs will vest each of March 14, 2014 (the “**First RSU Tranche**”), March 14, 2015, March 14, 2016, and March 14, 2017, subject to your remaining employed by the Activision Blizzard Group through the applicable vesting date.
- (iii) Except as set forth in Section 10(c)(iv)(B), subject to your remaining employed by the Activision Blizzard Group through the applicable vesting date, and as determined by the Compensation Committee, the Performance Share Units will vest as follows: (1) one-fifth of the Performance Share Units will vest on March 14, 2013 (the “**First PSU Tranche**”) if, and only if, the Compensation Committee determines that non-GAAP earnings per share for Activision Blizzard is greater than or equal to the non-GAAP earnings per share objective for Activision Blizzard as established by the Board of Directors, (the “**Performance Objective**”) for fiscal year 2012; (2) one-fifth of the Performance Share Units will vest on March 14, 2014 (the “**Second PSU Tranche**”) if, and only if, the Compensation Committee determines that the Performance Objective is met for fiscal year 2013; (3) one-fifth of the Performance Share Units will vest on March 14, 2015 if, and only if, the Compensation Committee determines that the Performance Objective is met for fiscal year 2014; (4) one-fifth of the Performance Share Units will vest on March 14, 2016 if, and only if, the Compensation Committee determines that the Performance Objective

is met for fiscal year 2015; and (5) one-fifth of the Performance Share Units will vest on March 14, 2017 if, and only if, the Compensation Committee determines that the Performance Objective is met for fiscal year 2016.

You acknowledge that the grant of Equity Awards pursuant to this Section 2(d) is expressly conditioned upon approval by the Compensation Committee, and that the Compensation Committee has discretion to approve or disapprove the 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 equity incentive plan pursuant to which they are granted (the "**Incentive Plan**") and Activision Blizzard's standard forms of award agreement (as modified to the extent necessary to reflect the provisions of Section 10). In the event of a conflict between this Agreement and the terms of the Incentive Plan or award agreements, the Incentive Plan or the award agreements, as applicable, shall govern.

(e) Within three weeks of the Effective Date, the Employer will provide you with a sign on bonus in the amount of \$1,250,000.00 (less applicable taxes and withholdings).

(f) In connection with your relocation to the Los Angeles area, you shall be entitled to the relocation benefits set forth in, and determined in accordance with and otherwise subject to the terms and conditions of, the "Relocation Summary" attached hereto as Exhibit C hereto, except with respect to temporary lodging which shall be provided to you for a period of up to six (6) months. Notwithstanding anything to the contrary in this Agreement or in the Relocation Summary, should your employment with the Employer terminate other than pursuant to Section 9(b), 9(c), 9(d) or 9(e) prior to the first anniversary of the Effective Date, you agree to repay the Employer 100% of any relocation expenses for which you were reimbursed by the Employer within 60 days of the termination of your employment.

3. **Title; Location**

You shall serve as Chief Financial Officer. Your principal place of business initially 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**

You shall report directly to the President and Chief Executive Officer of Employer (or such other executive of the Activision Blizzard Group as may be determined from time to time by it in its sole and absolute discretion) and shall have such duties commensurate with your position as may be assigned to you from time to time by the President and Chief Executive Officer of Employer (or, as applicable, such other executive designated by the Employer). You are also required to read, review and observe all of the Activision Blizzard Group's policies, procedures, rules and regulations in effect from time to time during the Term that apply to employees of the Employer, including, without limitation, the Code of Business Conduct and Ethics, as amended from time to time. You shall devote your full-time working time to the performance of your duties hereunder, shall faithfully serve the Employer, shall in all respects conform to and comply with the lawful, reasonable directions and instructions given to you by the President and Chief Executive Officer of Employer (or such other executive of the Activision Blizzard Group as may be determined from time to time by the Employer in its sole and absolute

discretion) and shall use your best efforts to promote and serve the interests of the Activision Blizzard Group. Further, you shall at all times place the Employer's interests above your own, not take any actions that would conflict with the Employer's interests and shall perform all your duties for the Employer with the highest duty of care. Further, you shall not, directly or indirectly, render services of any kind to any other person or organization, whether on your own behalf or on behalf of others, without the consent of the President and Chief Executive Officer of Employer or otherwise engage in activities that would interfere with your faithful and diligent 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 as applicable to executives of your level.

6. **Other Benefits**

(a) You shall be eligible to participate in all health, welfare, retirement, pension, life insurance, disability, perquisite and similar plans, programs and arrangements generally available to executives of the Employer from time to time during the Term, subject to the then-prevailing terms, conditions and eligibility requirements of each such plan, program, or arrangement. In addition to the foregoing benefits, 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 three million dollars (\$3,000,000) through a carrier of the Employer's choice.

(b) You expressly agree and acknowledge that, after the Expiration Date (or such earlier date on which your employment is terminated), you shall not be entitled to any additional benefits, except as specifically provided in this Agreement and the benefit plans in which you participate during the Term, and subject in each case to the then-prevailing terms and conditions of each such plan.

7. **Vacation and Paid Holidays**

(a) You will generally be entitled to paid vacation days in accordance with the normal vacation policies of the Employer for executives at your level in effect from time to time; provided, however, that you will be entitled to accrue no less than twenty (20) paid vacation days per year unless your vacation balance exceeds the Employer's then-current maximum.

(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, you not competing in any manner, whether directly or indirectly, as a principal, employee, agent, owner, or otherwise, with any entity in the

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Activision Blizzard Group; 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) **Property of the Activision Blizzard Group.** All rights worldwide with respect to any and all intellectual or other property of any nature produced, created or suggested by you, whether on your own time or not, alone or with others, 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 Activision Blizzard Group, (ii) result from or are suggested by any task assigned to you or any work performed by you on behalf of the Activision Blizzard Group, (iii) were created using the time or resources of the Activision Blizzard Group, or (iv) are based on any property owned or idea conceived by the Activision Blizzard Group, shall be deemed to be a work made for hire and shall be the sole and exclusive property of the Activision Blizzard Group. 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 Activision Blizzard Group's rights in such property. Your agreement to assign to the Activision Blizzard Group any of your rights as set forth in this Section 8(b) 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 Activision Blizzard Group was used, where the invention was developed entirely upon your own time, where the invention does not relate to the Activision Blizzard Group's business, and where the invention does not result from any work performed by you for the Activision Blizzard Group.

(c) **Covenant Not to Shop.** Other than during the final six (6) months of the Term, you shall not negotiate for employment with any entity or person outside of the Activision Blizzard Group. During the search process and thereafter you shall remain strictly subject to your continuing obligations under this Agreement, including, without limitation, your Duty of Loyalty, compliance with the Activision Blizzard Group's policies and your confidentiality obligations.

(d) **Confidentiality.** You acknowledge, and the Employer agrees, that during your employment you will have access to and become informed of confidential and proprietary information concerning the Activision Blizzard Group. During your employment and at all times following the termination of your employment, confidential or proprietary information of any entity in the Activision Blizzard Group shall not be used by you or disclosed or made available by you to any person except as required in the course of your employment with the Activision Blizzard Group. Upon the termination of your employment (or at any time on the Employer's request), you shall return to the Activision Blizzard Group all such information that exists, whether in electronic, written, or other form (and all copies or extracts thereof) under your control and shall not retain such information in any form, including without limitation on any devices, disks or other media. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the 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.

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(e) **Return of Property and Resignation from Office.** You acknowledge that, upon termination of your employment for any reason whatsoever (or at any time on the Employer's request), you will promptly deliver to the Activision Blizzard Group or surrender to the Activision Blizzard Group's representative all property of any entity in the Activision Blizzard Group, including, without limitation, all documents and other materials (and all copies thereof) relating to the Activision Blizzard Group's business, all identification and access cards, all contact lists and third party business cards however and wherever preserved, and any equipment provided by any entity in the Activision Blizzard Group, including, without limitation, computers, telephones, personal digital assistants, memory cards and similar devices that you possess or have in your custody or under your control. You will cooperate with the Activision Blizzard Group by participating in interviews to share any knowledge you may have regarding the Activision Blizzard Group's intellectual or other property with personnel designated by the Activision Blizzard Group. You also agree to resign from any office held by you within the Activision Blizzard Group immediately upon termination of your employment for any reason whatsoever (or at any time on the Employer's request) and you irrevocably appoint any person designated as the Activision Blizzard Group's representative at that time as your delegate to effect such resignation.

(f) **Covenant Not to Solicit.**

(i) During your employment, you shall not, at any time or for any reason, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, representative, equity holder, director, employee, consultant or otherwise, directly or indirectly: (a) offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment or engagement of the Activision Blizzard Group, either for your own account or for any other person, firm or company, any person employed or otherwise engaged by any entity in the Activision Blizzard 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 Blizzard Group; or (b) solicit, induce or entice any client, customer, contractor, licensor, agent, supplier, partner or other business relationship of any entity in the Activision Blizzard Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with the Activision Blizzard Group.

(ii) For a period of two (2) years following the termination of your employment for any reason whatsoever, you shall not, at any time or for any reason, either alone or jointly, with or on behalf of others, whether as principal, partner, agent, representative, equity holder, director, employee, consultant or otherwise, directly or indirectly solicit the employment or engagement of, either for your own account or for any other person, firm or company, any person employed or otherwise engaged by any entity in the Activision Blizzard Group (or any person who was employed or otherwise engaged by the Activision Blizzard Group during your final ninety (90) days of employment), whether or not such person would commit any breach of a contract by reason of his or her leaving the service of the Activision Blizzard Group.

- (iii) During your employment and at all times following the termination of your employment for any reason whatsoever, you shall not, at any time or for any reason, use the confidential, trade secret information of the Activision Blizzard Group or any other unlawful means to directly or indirectly solicit, induce or entice any client, customer, contractor, licensor, agent, supplier, partner or other business relationship of any entity in the Activision Blizzard Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with the Activision Blizzard Group.
- (iv) You expressly acknowledge and agree that the restrictions contained in this Section 8(f) are reasonably tailored to protect the Activision Blizzard Group's confidential information and trade secrets and to ensure that you do not violate your Duty of Loyalty or any other fiduciary duty to the Employer, and are reasonable in all circumstances in scope, duration and all other respects. The provisions of this Section 8(f) shall survive the expiration or earlier termination of this Agreement.

9. Termination of Employment

(a) **By the Employer for Cause.**

- (i) At any time during the Term, the Employer may terminate your employment for "**Cause**," which shall mean a good-faith determination by the Employer that you (i) engaged in willful, reckless or gross misconduct that caused or is reasonably likely to cause harm to the Activision Blizzard Group, (ii) were grossly negligent in the performance of your duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of your employment; (iii) engaged in fraud or dishonesty that caused or is likely to cause severe harm to any entity in the Activision Blizzard Group, including its business or reputation; (iv) violated any lawful and reasonable directives or policies of the Activision Blizzard Group or any applicable laws, rules or regulations in connection with the performance of your duties that caused or is reasonably likely to cause harm to the Activision Blizzard Group; (v) materially breached this Agreement; (vi) materially breached any proprietary information or confidentiality agreement with any entity in the Activision Blizzard Group; (vii) were convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude; or (viii) breached your fiduciary duties to the Activision Blizzard Group.
- (ii) In the case of any termination for Cause pursuant to clauses (ii), (iv), (v), (vi) or (viii) of the definition thereof, 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 (to the extent curable) any basis for Cause. Within thirty (30) days after

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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.

(b) **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.

(c) **By You in Certain Circumstances.** At any time during the Term, you may terminate your employment if, without your written agreement or other voluntary action on your part, (I) the Employer reassigns your principal place of business to a location that is more than fifty (50) miles from your principal place of business as of the Effective Date and that materially and adversely affects your commute or (II) you are assigned to serve in a position that results in a material diminution of your responsibilities, duties or title; provided, however, that you must (i) provide the Employer with written notice of your intent to terminate your employment under this Section 9(c) and a description of the event you believe gives you the right to do so within thirty (30) days after the initial existence of the event and (ii) the Employer shall have ninety (90) days after you provide the notice described above to cure any such default (the "**Cure Period**"). You will have five (5) days following the end of the Cure Period to terminate your employment, after which your ability to terminate your employment under this Section 9(c) will no longer exist.

(d) **Death.** In the event of your death during the Term, your employment shall terminate immediately as of the date of your death.

(e) **Disability.** In the event that you are or become "**disabled**," the Employer shall, to the extent permitted by applicable law, have the right to terminate your employment. For purposes of this Agreement, "disabled" shall mean that either (i) you have a physical or mental impairment that renders you unable to perform the duties required of you under this Agreement, even with the Employer providing you a reasonable accommodation, as determined by a physician selected by the Employer in its sole discretion or (ii) you are receiving benefits under any long-term disability plan of the Employer then in effect. You shall cooperate and make yourself available for any medical examination requested by the Employer with respect to any determination of whether you are disabled within ten (10) days of such a request. Without limiting the generality of the foregoing, to the extent provided by the Employer's policies and practices then in effect, you shall not receive any Base Salary during any period in which you are disabled; provided, however, that nothing in this Section 9(e) shall impact any right you may have to any payments under the Employer's short-term and long-term disability plans, if any.

10. Termination of Obligations and Severance Payments

(a) **General.** Upon the termination of your employment pursuant to Section 9, your rights and the Employer's obligations to you under this Agreement shall immediately terminate except as provided in this Section 10 and Section 11(s), and you (or your heirs or estate, as applicable) shall be entitled to receive any amounts or benefits set forth below (subject in all cases to Sections 10(f), 11(q) and 11(r)). The payments and benefits provided pursuant to this Section 10 are (x) in lieu of any severance or income continuation protection under any plan of the Activision Blizzard 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 Blizzard 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 10.

For the purposes of this Agreement, the following terms shall have the following meanings:

"Basic Severance" shall mean payment of (1) any Base Salary earned but unpaid as of the Termination Date; (2) any business expenses incurred but not reimbursed under Section 5 as of the Termination Date; and (3) payment in lieu of any vacation accrued under Section 7 but unused as of the Termination Date.

"Bonus Severance" shall mean payment of:

- (i) an amount equal to the Annual Bonus that the Employer determines, in its sole discretion, you would have received in accordance with Section 2(c) for any year that ended prior to the Termination Date had you remained employed through the date such bonus would have been otherwise been paid; and
- (ii) an amount equal to the Annual Bonus that the Employer determines, in its sole discretion, you would have received in accordance with Section 2(c) for the year in which your Termination Date occurs had 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 calendar month in which the Termination Date occurs and the denominator of which is 12, where, for purposes of calculating the amount of such bonus, any goals will be measured by actual performance.

"Termination Date" shall mean the effective date of your termination of employment pursuant to Sections 9(a)-(e).

(b) **Death.** In the event your employment is terminated under Section 9(d):

- (i) **Basic Severance.** Your heirs or estate, as the case may be, shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;

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- (ii) **Lump Sum Payment of Two Times Base Salary.** Your heirs or estate, as the case may be, shall receive payment of an amount equal to two (2) times the Base Salary (at the rate in effect as of the Termination Date) in a lump sum within thirty (30) days following the Termination Date; provided, however, that this amount shall be reduced by any payments to which you become entitled upon death under any Employer-sponsored plan;
- (iii) **Bonus Severance.** Your heirs or estate, as the case may be, shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates;
- (iv) **Impact on Equity Awards.** All outstanding Equity Awards shall cease to vest. All vested RSUs and Performance Share Units shall be paid in accordance with their terms. Any vested portion of the Option shall remain exercisable until the earlier of (x) one (1) year after the Termination Date or (y) the original expiration date of the Option. Any Equity Awards that are not vested as of your Termination Date will be cancelled immediately; and
- (v) **Medical Benefits.** Your then current spouse and minor children, if any, shall receive the same level of health/medical insurance or coverage (via COBRA or otherwise) that was provided to you immediately prior to your death for a one (1) year period, with the cost of such continued insurance or coverage being borne by the Employer.

(c) **Termination by the Employer Without Cause, If Your Principal Place of Business Is Relocated Without Your Consent, or by the Employer if You Become Disabled.** In the event the Employer terminates your employment under Section 9(b), you terminate your employment under Section 9(c) or the Employer terminates your employment under Section 9(e):

- (i) **Basic Severance.** You or your legal representative, as the case may be, shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;
- (ii) **Salary Continuation.** You or your legal representative, as the case may be, shall receive the payment of an amount equal to 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 (the "**Salary Continuation Period**"), which amount shall be paid in equal installments commencing on the first payroll date following the 60th day following the Termination Date in accordance with the Employer's payroll practices as in effect from time to time, provided that the first such payment shall include any installments relating to the 60 day period following the Termination Date; provided, however, that, to the extent doing so will not

result in the imposition of additional taxes under Section 409A (“**Section 409A**”) of the Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder (the “**Code**”), this amount shall be reduced by any payments which you have received or to which you become entitled under any Employer-sponsored long-term disability plan;

- (iii) **Bonus Severance.** You or your legal representative, as the case may be, shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates;
- (iv) **Impact on Equity Awards.**
 - (A) Except as set forth in Section 10(c)(iv)(B), all outstanding Equity Awards shall cease to vest. All vested RSUs and Performance Share Units shall be paid in accordance with their terms. Any vested portion of the Option shall remain exercisable until the earlier of (x) thirty (30) days after the Termination Date and (y) the original expiration date of the Option. Any Equity Awards that are not vested as of your Termination Date will be cancelled immediately;
 - (B) Subject to Section 10(c)(vi):
 - (I) In the event the Employer terminates your employment under Section 9(b) and the Termination Date occurs on or after January 1, 2013, but before January 1, 2014, then one-half of the First RSU Tranche (*i.e.*, one-eighth of the RSUs) shall vest on the Termination Date;
 - (II) In the event the Employer terminates your employment under Section 9(b) and the Termination Date occurs on or after January 1, 2014, but before March 14, 2014, then the First RSU Tranche (*i.e.*, one-fourth of the RSUs) shall vest on the Termination Date;
 - (III) In the event the Employer terminates your employment under Section 9(b) and the Termination Date occurs on or after January 1, 2013, but before March 14, 2013, and the Compensation Committee determines that the Performance Objective is met for fiscal year 2012, then the First PSU Tranche shall vest on the later of the Termination Date and the date of such determination by the Compensation Committee, and the underlying shares shall be distributed as soon as reasonably practicable thereafter;
 - (IV) In the event the Employer terminates your employment under Section 9(b) and the Termination Date occurs on or after January 1, 2014, but before March 14, 2014, and the Compensation Committee determines that the Performance Objective is met for fiscal year 2013, then the Second PSU Tranche shall vest on the

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later of the Termination Date and the date of such determination by the Compensation Committee, and the underlying shares shall be distributed as soon as reasonably practicable thereafter;

- (v) **Medical Benefits.** You and your then current spouse and minor children, if any, shall receive the same level of health/medical insurance or coverage (via COBRA or otherwise) that was provided to you immediately prior to the Termination Date for a one (1) year period, with the cost of such continued insurance or coverage being borne by the Employer; provided, however, if you become eligible for another company’s group health/medical insurance or coverage program, then you and your then current spouse and minor children, if any, shall cease to be eligible for coverage pursuant to this Section 10(c)(v); and
 - (vi) **Severance Conditioned Upon Release.** Payments and benefits described in Sections 10(c)(ii), 10(c)(iii), 10(c)(iv) and 10(c)(v) are conditioned upon your or your legal representative’s execution of a waiver and release in a form prepared by the Employer and that release becoming effective and irrevocable in its entirety within 60 days of the Termination Date. Unless otherwise provided by the Employer, if the release referenced above does not become effective and irrevocable on or prior to the 60th day following the Termination Date, you shall not be entitled to any payments or benefits under this Section 10(c) other than the Basic Severance.
- (d) **Termination by the Employer For Cause.** In the event your employment is terminated by the Employer under Section 9(a), then:
- (i) **Basic Severance.** You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan; and
 - (ii) **Impact on Equity Awards.** All outstanding Equity Awards shall cease to vest and, whether or not vested, shall no longer be exercisable and shall be cancelled immediately.
- (e) **Termination on the Expiration Date.** In the event your employment terminates on the Expiration Date, then:
- (i) **Basic Severance.** You shall receive payment of the Basic Severance in a lump sum within thirty (30) days following the Termination Date unless a different payment date is prescribed by an applicable compensation, incentive or benefit plan, in which case payment shall be made in accordance with such plan;
 - (ii) **Bonus Severance.** You shall receive payment of the Bonus Severance in a lump sum no later than the 15th day of the third month of the year following the year to which the underlying amount relates; and

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(iii) **Impact on Equity Awards.** All outstanding Equity Awards shall cease to vest. All vested RSUs and Performance Share Units shall be paid in accordance with their terms. Any vested portion of the Option shall remain exercisable until the earlier of (x) thirty (30) days after the Termination Date and (y) the original expiration date of the Option. Any Equity Awards that are not vested as of the Expiration Date will be cancelled immediately.

(f) **Breach of Post-termination Obligations or Subsequent Employment.**

- (i) **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 10 (other than payment of the Basic Severance) shall immediately and permanently cease and you shall not be entitled to any such payments or benefits.
- (ii) **Subsequent Employment.** Notwithstanding anything to the contrary contained herein, if, at any time during the Salary Continuation Period, you 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, you must promptly notify the Employer and the Employer's obligation to make payments to you under Section 10(c)(ii) from and after the earlier of the date on which you commence such subsequent employment or services arrangement and the date on which you first earn or are paid Base Compensation (the "**Remaining Salary Continuation Payments**") shall be reduced by an amount (the "**Offset Amount**") equal to the lesser of (A) the Base Compensation (as defined below) earned by or paid to you during the Salary Continuation Period, or (B) the Remaining Salary Continuation Payments. You hereby agree to promptly reimburse the Employer for the Offset Amount attributable to the period starting on the earlier of the date you commence such subsequent employment or services arrangement and the date on which you first earn or are paid Base Compensation, and ending on the date the Employer begins to offset the Remaining Salary Continuation Payments as described in the previous sentence. "**Base Compensation**" shall mean the amount of your base salary or, if applicable, wages you earn (or are paid or granted) during or with respect to any subsequent employment or services arrangement; provided, however, such base salary or wages shall be deemed, in all cases, to equal no less than 35% of the total compensation (including, without limitation, any and all amounts of salary, bonus and all other kinds of cash or in-kind or equity-based compensation) you earn, are paid, or are granted during or with respect to such subsequent employment or services arrangement and which are paid to you, vest or otherwise accrue with respect to services performed by you, during or with respect to the Salary Continuation Period.

11. **General Provisions**

(a) **Entire Agreement.** This Agreement, and the Proprietary Information Agreement and the New Employee Letter and Certification (as defined in Section 11(d)) supersede all prior or contemporaneous agreements and statements, whether written or oral, concerning the terms of your employment with the Activision Blizzard 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 and Likeness.** You hereby irrevocably grant the Activision Blizzard Group the right, but not the obligation, to use your name or likeness in any product made by the Activision Blizzard Group or for any publicity or advertising purpose in any medium now known or hereafter existing.

(c) **Assignment.** This Agreement and the rights and obligations hereunder shall not be assignable or transferable by you without the prior written consent of the Employer. The Employer may assign this Agreement or all or any part of its rights and obligations under this Agreement at any time and following such assignment all references to the Employer shall be deemed to refer to such assignee and the Employer shall thereafter have no obligation under this Agreement.

(d) **No Conflict with Prior Agreements.** You represent to the Employer that neither your commencement of employment under this Agreement nor the performance of your duties under this Agreement conflicts or will conflict with any contractual or legal commitment on your part to any third party, nor does it or will it violate or interfere with any rights of any third party. If you have acquired any confidential or proprietary information in the course of your prior employment or otherwise in connection with your provision of services to any entity outside the Activision Blizzard Group, during the Term you will fully comply with any duties to such entity then-applicable to you not to disclose or otherwise use such information. Without limiting the generality of the foregoing, you acknowledge signing and delivering to the Employer the New Employee Letter and Certification attached as **Exhibit B** hereto (the "**New Employee Letter and Certification**") as of the Effective Date and you agree that all terms and conditions contained in such agreement, and all of your obligations and commitments provided for in such agreement, shall be deemed, and hereby are, incorporated into this Agreement as if set forth in full herein.

(e) **Successors.** This Agreement shall be binding on and inure to the benefit of the Employer and its successors and assigns, including successors by merger and operation of law. 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

(g) **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 9, neither the Employer nor you shall have any obligation to the other with respect to your continued employment.

(h) **Taxation.** The Employer may withhold from any payments made under the Agreement all federal, state, city or other applicable taxes or amounts as shall be required or permitted pursuant to any law, governmental regulation or ruling or agreement with you.

(i) **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.

(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 or whatever other state in which you were last employed by the Employer, without regard to conflict of law principles.

(k) **Arbitration.**

- (i) Except as otherwise provided in this Agreement, any dispute or controversy between the Employer and you will be settled by final and binding arbitration by a single arbitrator to be held in the city in which you were last employed by the Employer, unless the Employer and you agree otherwise, in accordance with the JAMS rules for resolution of employment disputes then in effect, except as provided in this Section 11(k). The arbitrator the parties select will have the authority to grant any party all remedies otherwise available by law, but will not have the power to grant any remedy that would not be available in a state or federal court in the jurisdiction in which the arbitration is being held. Either party may seek court intervention in a dispute for interim equitable relief in a court of competent subject matter jurisdiction located within the city in which you were last employed by the Employer, but the resort to interim equitable relief will be pending and in aid of arbitration only, and in such cases the trial on the merits of the action will occur in front of, and will be decided by, the arbitrator, who will have the same ability to order legal or equitable remedies as could a court of general jurisdiction. The arbitrator will have the authority to hear and rule on dispositive motions (such as motions for summary adjudication or summary judgment) and has the exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this agreement to arbitrate claims, including but not limited to any claim that all or any part of this agreement is void or voidable. This agreement to arbitrate applies to all claims that the Employer may have against you or that you may have against the Employer or the Employer's current and former officers,

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directors, employees, representatives and agents, and/or all entities affiliated with the Employer, as well as the current and former officers, directors, employees, representatives and agents of those affiliates. 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, claims for benefits under an employee welfare or pension plan that specifies a different dispute resolution procedure, or claims which, by law, cannot be compelled to binding arbitration via private agreement.

- (ii) Notwithstanding anything to the contrary in the rules of JAMS, the arbitration shall provide (a) for written discovery and depositions as provided under the Federal Rules of Civil Procedure and (b) for a written decision by the arbitrator that includes the essential findings and conclusions upon which the decision is based which must be issued no later than thirty (30) days after a dispositive motion is heard or an arbitration hearing has completed. The Employer will pay the fees and administrative costs charged by the arbitrator and JAMS; provided, however, that if you initiate the arbitration, you must initiate it by paying to JAMS an amount equal to the filing fee for the state court of general jurisdiction in the state in which you were last employed by the Employer.
- (iii) Either party will have the same amount of time to file any claim against any other party as it would have if the claim had been filed in state or federal court in the city in which you were last employed by the Employer. In conducting the arbitration, the arbitrator shall follow the Federal Rules of Evidence (including but not limited to all applicable privileges).
- (iv) The arbitrator must be experienced in employment law. He or she will be selected by the mutual agreement of the parties. If the parties cannot agree on an arbitrator, the parties will alternately strike names from a list provided by JAMS until only one name remains. If a JAMS arbitrator is not available to conduct an arbitration in the city in which you last worked for the Employer, then another similar arbitration service provider will be selected by the mutual agreement of the parties (and all references to JAMS in this Section 11(k) will be deemed to be references to that arbitration service provider).
- (v) The decision of the arbitrator will be final, conclusive and binding on the parties to the arbitration. The prevailing party in the arbitration, as determined by the arbitrator, shall be entitled to recover his or its reasonable attorneys' fees, experts' fees and costs, including the costs or fees charged by the arbitrator and JAMS, in addition to such other relief as may be granted, under the standards provided by law for awarding such fees and costs applicable to the claims asserted. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.
- (vi) **You understand that your and the Employer's agreement to arbitrate all disputes means that both you and the Employer are waiving your**

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right to file a court action, except for requests for injunctive relief pending arbitration. You also understand that both you and the Employer are giving up any right to a jury trial.

(l) **Severability.** It is expressly agreed by the parties that each of the provisions included in Section 8(f) is separate, distinct, and severable from the other and remaining provisions of Section 8(f), and that the invalidity or unenforceability of any Section 8(f) provision shall not affect the validity

or enforceability of any other provision or provisions of this Agreement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under, or would require the commission of any act contrary to, existing or future laws effective during the Term, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a legal and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

(m) **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.

(n) **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 Section 8, you agree that any remedy at law would be inadequate. Accordingly, you agree that the Employer is entitled to obtain injunctive relief for such breaches or threatened breaches in any court of competent jurisdiction. The injunctive relief provided for in Section 11(k) (i) and this Section 11(n) 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.

(o) **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.

(p) **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.

(q) **Section 409A.** To the extent applicable, it is intended that the Agreement comply with the provisions of Section 409A. The Agreement will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A). Notwithstanding anything contained herein to the contrary, to the extent any payment under this Agreement is subject to Section 409A, you shall not be considered to have terminated

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employment with the Employer for purposes of the Agreement and no payments shall be due to you under the Agreement which are payable upon your termination of employment unless you would be considered to have incurred a "separation from service" from the Employer within the meaning of Section 409A. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Agreement during the six-month period immediately following your termination of employment shall instead be paid on the first business day after the date that is six months following your termination of employment (or upon your death, if earlier). In addition, for purposes of the Agreement, each amount to be paid or benefit to be provided to you pursuant to the Employment Agreement shall be construed as a separate identified payment for purposes of Section 409A. With respect to expenses eligible for reimbursement under the terms of the Agreement, (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year and (ii) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A; provided, however that with respect to any reimbursements for any taxes to which you become entitled under the terms of the Agreement, the payment of such reimbursements shall be made by the Employer no later than the end of the calendar year following the calendar year in which you remit the related taxes.

(r) **Section 280G and Section 162(m).** 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. To the extent the aggregate of the amounts constituting the parachute payments are required to be so reduced, the amounts provided under Section 10 of this Agreement shall be reduced (if necessary, to zero) with amounts that are payable first reduced first; provided, however, that, in all events the payments provided under Section 10 of this Agreement which are not subject to Section 409A shall be reduced first. Similarly, you agree that no payments or distributions, whether payable, distributed or distributable pursuant to the terms of this Agreement or otherwise, shall be made to you if the Employer reasonably anticipates that Section 162(m) of the Code would prevent the Employer from receiving a deduction for such payment. If, however, any payment is not made pursuant to the previous sentence, the Employer shall make such payment as soon as practicable in the first calendar year that it reasonably determines that it can do so and still receive a deduction for such payment. The determinations to be made with respect to this Section 11(r) shall be made by a certified public accounting firm designated by the Employer.

(s) **Survivability.** The provisions of Sections 8, 10(f), 11(b), 11(c), 11(e), 11(f), 11(h), 11(i), 11(k), 11(l), 11(m), 11(n), 11(o), 11(q), 11(r), this 11(s) and Section 12 (as well as the Proprietary Information Agreement and the New Employee Letter and Certification) shall survive the termination or expiration of this Agreement

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(t) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

(u) **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 and that the Employer shall be responsible for the reasonable fees of such legal counsel or any other advisor in a total amount not to exceed ten thousand US dollars (\$10,000). You understand and agree that any attorney retained by the Employer, the Activision Blizzard

Group or any member of management who has discussed any term or condition of this Agreement with you or your advisor is only acting on behalf of the Employer and not on your behalf.

(v) **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.

(w) **No Broker.** You have given no indication, representation or commitment of any nature to any broker, finder, agent or other third party to the effect that any fees or commissions of any nature are, or under any circumstances might be, payable by the Activision Blizzard Group in connection with your employment under this Agreement.

12. Indemnification

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 third-party liabilities, costs and claims, and all expenses actually and reasonably incurred by you in connection therewith by reason of the fact that you are or were employed by the Activision Blizzard Group, including, without limitation, all costs and expenses actually and reasonably incurred by you in defense of litigation arising out of your employment hereunder.

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 Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, California 90405
Attention: Chief Legal Officer

To You: Dennis Durkin
[]

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 BLIZZARD, INC.

By: /s/ Chris B. Walther
Chris B. Walther
Chief Legal Officer

/s/ Dennis Durkin
Dennis Durkin

Date: 02-29-12

Date: 02-29-12

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF STOCK OPTION AWARD

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

- Your name: **Dennis Durkin**
- Total number of Shares purchasable upon exercise of the Stock Option awarded: **300,000**
- Exercise Price: US\$**11.73** per Share
- Date of Grant: **March 6, 2012**
- Expiration Date: **March 6, 2022**
- Grant ID: **08007561**
- Your Award of the Stock Option is governed by the terms and conditions set forth in:
 - this Notice of Stock Option Award;
 - the Stock Option Award Terms attached hereto as Exhibit A (the “Award Terms”); and
 - the Company’s Amended and Restated 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- **Your Stock Option Award has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.**
- *Schedule for Vesting:* Except as otherwise provided under the Award Terms, the Stock Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting		
Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
March 14, 2014	75,000	75,000
March 14, 2015	75,000	150,000
March 14, 2016	75,000	225,000
March 14, 2017	75,000	300,000

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

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

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

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

ACTIVISION BLIZZARD, INC.

/s/ Humam Sakhnini

Humam Sakhnini
Chief Strategy and Talent Officer

Date: April 2, 2012

ACCEPTED AND AGREED:

Date: March 26, 2012

EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

STOCK OPTION AWARD TERMS

1. **Definitions.**

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

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

“Cause” (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of “cause,” shall mean that the Holder (A) engaged in misconduct or gross negligence in the performance of his or her duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his or her employment; (B) engaged in fraud, dishonesty, or any other improper conduct that causes, or in the sole and absolute discretion of the Company has the potential to cause, harm to the Company Group, including the business reputation or financial condition of any member of the Company Group; (C) violated any lawful directives or policies of the Company Group or any applicable laws, rules or regulations; (D) materially breached his or her employment agreement, proprietary information agreement or any other agreement with the Company Group; (E) committed, was indicted on charges related to, convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty, moral turpitude or which could reflect negatively upon the Company Group of otherwise impede its operations; or (F) breached his or her fiduciary duties to the Company Group.

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

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

“Company Group” means the Company or any of its subsidiaries or other affiliates.

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

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

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

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

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

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

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

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

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

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

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

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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(ii) if the Holder has exercised any portion of the Stock Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company’s written notice of its exercise of its rights under Section 11 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, minus the Exercise Price, times (B) the number of Shares as to which the Stock Option was exercised and which were not sold.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

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

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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

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

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

3. Vesting and Exercise.

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

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

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

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by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Stock Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. The Company shall determine the method or methods the Holder may use to make such payment, which may include any of the following: (i) by bank check or certified check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc., through the delivery of irrevocable written instructions, in a form acceptable to the Company, to the Equity Account Administrator (or, with the Company’s consent, such other brokerage firm as may be requested by the person exercising the Stock Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, (iii) by tendering previously owned shares (valued at their Market Value per Share as of the date of tender), (iv) through the withholding of Shares otherwise deliverable upon exercise, or (v) any combination of (i), (ii), (iii) or (iv) above or any other manner permitted pursuant to the Plan.

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

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the

Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Stock Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Stock Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 14 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

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

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the date of such termination of

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employment the Stock Option shall (i) cease to vest, if not then fully vested, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

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

(c) Other. Unless the Committee determines otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof, the Stock Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Stock Option shall no longer be exercisable and shall be immediately cancelled. To the extent not vested as of the date of such termination of service, the Stock Option shall be immediately cancelled and shall no longer be exercisable.

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

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

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

8. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of the Holder that would otherwise result

from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

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

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

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

11. Employment Violation. The terms of this Section 11 shall apply to the Stock Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the Stock Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Stock Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Stock Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

12. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) The Holder is responsible for complying with (a) any federal, state and local taxation laws applicable to the Holder in connection with the Award, (b) any federal and state securities laws applicable to the Holder in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation

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of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by the Holder in connection with the Award.

13. Section 409A. As the Exercise Price is equal to the fair market value of a Share on the Date of Grant, payments contemplated with respect to the Award are intended to be exempt from Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on the Holder or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of the Holder, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 13 does not create an obligation on the part of the Committee or the Company to make any such modification.

14. 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.”

15. 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.

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

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

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

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19. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and 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.

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

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

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

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AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF PERFORMANCE-VESTING RESTRICTED SHARE UNIT AWARD

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

- Your name: **Dennis Durkin**
- Total number of Restricted Share Units awarded: **450,000**
- Date of Grant: **March 6, 2012**
- Grant ID: **08007579**
- 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 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your Employment Agreement as a material inducement to your entering into employment with the Company pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in your Employment Agreement (as defined in the Award Terms).

· *Schedule for Vesting:*

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting		
Date of Vesting	No. of Restricted Share Units Vesting at Vesting Date	If, and Only If, the Committee Determines that the Following Has Occurred
March 14, 2013	90,000	The non-GAAP earnings per share objectives for the Company set forth in the Company's Board-established 2012 annual operating plan, which were approved by the Committee on or prior to the 90 th day of that year, have been met or exceeded
March 14, 2014	90,000	The non-GAAP earnings per share objectives for the Company set forth in the Company's Board-established 2013 annual operating plan, which were approved by the Committee on or prior to the 90 th day of that year, have been met or exceeded
March 14, 2015	90,000	The non-GAAP earnings per share objectives for the Company set forth in the Company's Board-established 2014 annual operating plan, which were approved by the Committee on or prior to the 90 th day of that year, have been met or exceeded
March 14, 2016	90,000	The non-GAAP earnings per share objectives for the Company set forth in the Company's Board-established 2015 annual operating plan, which were approved by the Committee on or prior to the 90 th day of that year, have been met or exceeded
March 14, 2017	90,000	The non-GAAP earnings per share objectives for the Company set forth in the Company's Board-established 2016 annual operating plan, which were approved by the Committee on or prior to the 90 th day of that year, have been met or exceeded

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

Activision Blizzard, Inc.
3100 Ocean Park Boulevard

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

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

ACTIVISION BLIZZARD, INC.

/s/ Humam Sakhini
Humam Sakhini
Chief Strategy and Talent Officer

Date: April 2, 2012

ACCEPTED AND AGREED:

/s/ Dennis Durkin
Dennis Durkin

Date: March 26, 2012

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EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

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

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

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

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

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

“**Company Group**” means the Company or any of its subsidiaries or other affiliates.

“**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 that certain employment agreement entered into on February 29, 2012 between Grantee and the Company, as the same may be amended from time to time.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms of such agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

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

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

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

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

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

“**Termination Date**” means the effective date of Grantee’s termination of employment under the Employment Agreement.

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

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

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

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

3. Termination of Employment.

(a) By Employer With Cause. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the Termination Date all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) By Employer Without Cause.

(i) Conditioned upon Grantee or Grantee’s legal representative’s execution of a waiver and release in a form prepared by the Company and that release becoming effective and irrevocable in its entirety within 60 days of the Termination Date in accordance with Section 10(c) of the Employment Agreement:

(A) in the event that (x) Grantee’s employment is terminated by the Company without Cause on or after January 1, 2013 but prior to March 14, 2013 and (y) the Committee determines that the non-GAAP earnings per share objectives for the Company set forth in the Company’s Board-established 2012 annual operating plan, which were approved by the Committee on or prior to the 90th day of that year, have been met or exceeded, 90,000 Restricted Share Units shall vest as of the later of the date on which the Committee made such determination and the 60th day following the Termination Date; and

(B) in the event that (x) Grantee’s employment is terminated by the Company without Cause on or after January 1, 2014 but prior to March 14, 2014 and (y) and (y) the Committee determines that the non-GAAP earnings per share objectives for the Company set forth in the Company’s Board-established 2013 annual operating plan, which were approved by the Committee on or prior to the 90th day

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of that year, have been met or exceeded, 90,000 Restricted Share Units shall vest as of the later of the date on which the Committee made such determination and the 60th day following the Termination Date.

If such waiver and release does not become effective and irrevocable in its entirety within 60 days of the Termination Date in accordance with the Employment Agreement, those Restricted Share Units shall be forfeited to the Company without payment of consideration by the Company on the 61st day following the Termination Date

(ii) To the extent not capable of vesting in accordance with this Section 3(b), as of the Termination Date all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) Other. Unless the Committee determines otherwise, in the event that Grantee's employment is terminated for any reason not addressed by Section 3(a) or 3(b), as of the Termination Date all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

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

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

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common

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

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required to prevent dilution or enlargement of the rights of Grantee that would otherwise result from (a) any stock dividend, extraordinary dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any change of control, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the

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Committee, in its discretion, may provide in substitution for the Award such alternative consideration (including, without limitation, cash or other equity awards), if any, as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the Award.

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

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

12. 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 outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 7 hereof 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,

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as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification.

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

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

15. Legend. 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.”

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

17. 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.

18. 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.

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

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20. 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.

21. 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.

22. 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.

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

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AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

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

- Your name: **Dennis Durkin**
- Total number of Restricted Share Units awarded: **350,000**
- Date of Grant: **March 6, 2012**
- Grant ID: **08007574**
- 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 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Share Units has been made in connection with your Employment Agreement as a material inducement to your entering into employment with the Company pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in your Employment Agreement (as defined in the Award Terms).
- *Schedule for Vesting:*

Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting		
Date of Vesting	No. of Restricted Share Units Vesting at Vesting Date	Cumulative No. of Restricted Share Units Vested at Vesting Date
March 14, 2014	87,500	87,500
March 14, 2015	87,500	175,000
March 14, 2016	87,500	262,500
March 14, 2017	87,500	350,000

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

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

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

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

ACTIVISION BLIZZARD, INC.

/s/ Humam Sakhnini

Humam Sakhnini
Chief Strategy and Talent Officer

Date: April 2, 2012

ACCEPTED AND AGREED:

/s/ Dennis Durkin

Dennis Durkin

EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS

1. Definitions.

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

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

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

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

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

“**Company Group**” means the Company or any of its subsidiaries or other affiliates.

“**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 that certain employment agreement entered into on February 29, 2012 between Grantee and the Company, as the same may be amended from time to time.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms of such agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

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

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

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

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

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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

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

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

“**Termination Date**” means the effective date of Grantee’s termination of employment under the Employment Agreement.

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

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

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

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

3. Termination of Employment.

(a) By Employer With Cause. In the event that Grantee’s employment is terminated by the Company or any of its subsidiaries or affiliates for Cause, as of the Termination Date all Restricted Share Units shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) By Employer Without Cause.

(i) Conditioned upon Grantee or Grantee’s legal representative’s execution of a waiver and release in a form prepared by the Company and that release becoming effective and irrevocable in its entirety within 60 days of the Termination Date in accordance with Section 10(c) of the Employment Agreement:

(A) in the event that Grantee’s employment is terminated by the Company without Cause on or after January 1, 2013 but prior to January 1, 2014, 43,750 Restricted Share Units shall vest as of the 60th day following the Termination Date; and

(B) in the event that Grantee’s employment is terminated by the Company without Cause on or after January 1, 2014 but prior to March 14, 2014, 87,500 Restricted Share Units shall vest as of the 60th day following the Termination Date.

If such waiver and release does not become effective and irrevocable in its entirety within 60 days of the Termination Date in accordance with the Employment Agreement, those Restricted Share Units shall be forfeited to the Company without payment of consideration by the Company on the 61st day following the Termination Date

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(ii) To the extent not capable of vesting in accordance with this Section 3(b), as of the Termination Date all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

(c) Other. Unless the Committee determines otherwise, in the event that Grantee’s employment is terminated for any reason not addressed by Section 3(a) or 3(b), as of the Termination Date all Restricted Share Units shall cease to vest and, with the exception of any Vested Shares that have yet to settle pursuant to Section 7 hereof, shall immediately be forfeited to the Company without payment of consideration by the Company.

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

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

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Restricted Share Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Share Units had vested, and the Common Shares to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend; provided, however, that no such dividend equivalents shall be paid if the Restricted Share Units have been forfeited to the Company in accordance with Section 3 hereof prior to payment thereof. Notwithstanding the foregoing, in no event

shall any such dividend equivalents be paid later than the 45th day following the year in which the related dividends are paid. For purposes of the time and form of payment requirements of Section 409A, such dividend equivalents shall be treated separately from the Restricted Share Units.

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance

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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 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

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

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of

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

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

12. 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 outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 7 hereof and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) the requirements of any

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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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A, and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification.

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

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

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15. Legend. 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."

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

17. 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.

18. 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.

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

20. 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.

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

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address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

22. 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.

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



Brian G. Kelly
[]

March 6, 2012

Dear Brian:

Congratulations! The Compensation Committee of the Board of Directors of Activision Blizzard, Inc. (the “Company”) has awarded a one-time, discretionary bonus of \$3,000,000 to you in recognition of your significant contributions to the Company in 2011, which will be paid to you pursuant to the terms and conditions outlined below.

The bonus will be paid to you on or about March 15, 2012, less applicable taxes and withholdings. Half of the bonus (\$1,500,000) will be earned as of the date paid, and the remaining \$1,500,000 will be earned as of March 14, 2015. Should you resign your employment or should your employment be terminated with “cause” (as determined by the Company in its sole discretion) before March 14, 2015, you agree to return the unearned portion of the bonus (\$1,500,000) to the Company. You hereby agree to do so by repaying the Company (either by check or wire transfer) 50% of the net bonus paid to you (the amount paid to you after required taxes are withheld) within 120 days of the termination of your employment.

By your signature below, you agree to the terms and conditions of the bonus payment as outlined above. Nothing in this letter changes the current terms and conditions of your at-will employment. If you have any questions concerning the bonus payment, please contact An Weiser or Humam Sakhnini.

Sincerely,

Bobby Kotick
President & CEO
Activision Blizzard, Inc.

Acknowledged:

A handwritten signature in black ink, appearing to be "BK", written over a horizontal line.

Brian G. Kelly

Date: March 14, 2012

3100 Ocean Park Boulevard, Santa Monica, CA 90405 | t. 310.255.2500 f. 310.255.2100 | www.activisionblizzard.com

EMPLOYMENT AGREEMENT

Employment Agreement, dated as of March 15, 2012 (the “**Effective Date**”), by and between ACTIVISION BLIZZARD, INC., a Delaware corporation with its principal offices at 3100 Ocean Park Boulevard, Santa Monica, CA 90405 (the “**Company**”), and ROBERT A. KOTICK (the “**Executive**”).

R E C I T A L S:

WHEREAS, the Company and the Executive are parties to an employment agreement dated May 22, 2000, as amended on December 29, 2006 and as amended and restated on December 1, 2007, as amended on or about July 8, 2008 (the “**Original Agreement**”);

WHEREAS, the Executive has agreed to enter into this Employment Agreement (this “**Agreement**”), between the Executive and the Company;

WHEREAS, the Board of Directors of the Company (the “**Board**”) has determined that it is in the best interests of the Company and its stockholders to enter into this Agreement and the Executive is willing to serve as an employee of the Company subject to the terms and conditions of this Agreement;

WHEREAS, the Compensation Committee (the “**Compensation Committee**”) of the Board approved the execution and delivery of this Agreement by the Company at a meeting of the Compensation Committee held on March 14, 2012;

WHEREAS, the Company and the Executive agree that this Agreement will supersede the Original Agreement in its entirety; and

WHEREAS, the Executive acknowledges and agrees that he has had the right to resign from his position and terminate this Agreement pursuant to Section 7 without liability, the Company has agreed to waive the notice requirements of Section 8 with respect to such potential resignation and termination and the Executive has nevertheless elected to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Position and Duties. (a) The Company agrees to continue to employ the Executive, and the Executive agrees to be employed, as President and Chief Executive Officer of the Company reporting only to the Board. The Executive shall be the senior-most employee of the Company, and all employees of the Company shall report, directly or indirectly, to the Executive. The Executive shall have such powers, duties, authorities and responsibilities as are consistent with Executive’s position and title and as are in effect immediately prior to the Effective Date; provided that the Executive’s powers, duties, authorities and responsibilities shall be consistent with the provisions of the Company’s amended and restated By-Laws (the “**By-Laws**”). At all times during the Employment Period (as defined in Section 2 below), the

Executive shall, unless he otherwise elects, be nominated for election by the shareholders of the Company to the Board.

(b) During the Employment Period and excluding any periods of vacation, the Executive agrees to devote such time, attention and efforts to the business and affairs of the Company as may be necessary to discharge the duties and responsibilities assigned to the Executive hereunder and to use the Executive’s reasonable best efforts to perform faithfully and efficiently such duties and responsibilities.

(c) It shall not be a violation of this Agreement for the Executive to engage in any activity which is, in the good faith opinion of the Executive, not inconsistent with the Company’s interests and prospects, including, without limitation, (a) serving on civic or charitable boards or committees; (b) serving as a director of any company that is not in a Competitive Business (as defined in Section 13(b) below); (c) delivering lectures, fulfilling speaking engagements or teaching at educational institutions; (d) managing personal investments; (e) serving as an officer or director of entities formed to manage family or personal investments; and (f) attending conferences conducted by business organizations; provided, however, that such activity does not significantly interfere with the performance of the Executive’s duties and responsibilities hereunder. It is expressly understood and agreed that to the extent that any activity has been conducted by the Executive prior to the Effective Date, the continued conduct of such activity (or the conduct of an activity similar in nature and scope thereto) during the Employment Period shall be deemed not to interfere with the performance of the Executive’s duties and responsibilities to the Company and shall not constitute a violation of this Agreement.

(d) Except for periodic travel assignments, the Executive shall not, without his consent, be required to perform services for the Company at any place other than the principal place of the Company’s business which shall at all times, unless the Executive otherwise consents, be within a 20 mile radius of the Company’s current principal place of business. Notwithstanding anything herein to the contrary, the Executive may, at his sole discretion and upon prior written notice to the Board, relocate at any time to New York, New York in connection with the establishment by the Company of executive offices in such city.

2. Effectiveness; Employment Period. The employment of the Executive under the terms of this Agreement (the “**Employment Period**”) shall commence on the Effective Date and terminate on June 30, 2016 (the “**Expiration Date**”). Notwithstanding anything contained herein to the contrary, the Executive’s employment pursuant to the terms of this Agreement and the Employment Period is subject to earlier termination pursuant to Section 7 below.

3. Compensation. The Executive shall receive the following compensation (the “**Compensation**”) for his services hereunder:

(a) **Base Salary.** The Company shall pay to the Executive a base salary (“**Base Salary**”) in respect of each calendar year of the Company or portion thereof during the Employment Period. For the period from July 1, 2011 through the end of the Employment Period, the Base Salary shall be at the annual rate of \$2,000,000; provided, however, that the

Base Salary shall be increased as of each January 1st (beginning January 1st of 2013) during the Employment Period by a percentage equal to the average percentage increase approved by the Compensation Committee in the base salaries of the members of the Company's executive leadership team most recently implemented with respect to the fiscal year in which such January 1st occurs excluding for these purposes (i) increases that are required or guaranteed by contract and (ii) increases in base salaries in connection with a promotion or other significant modification in an executive's duties. The Base Salary shall be paid in accordance with the customary payroll practices of the Company at regular intervals, but in no event less frequently than every month, as the Company may establish from time to time for senior executive employees of the Company; provided, however, that the Executive shall receive a lump sum payment equal to the difference between the base salary that has been paid to the Executive pursuant to the Original Agreement and the Base Salary set forth in this Agreement beginning with July 1, 2011 through the date hereof (less applicable withholdings) (the "**Salary Adjustment Payment**") as soon as reasonably practicable, but not later than ten (10) days after the Effective Date. The Base Salary shall be prorated with respect to any partial calendar years during the Employment Period.

(b) **Annual Bonus.** The Executive shall be entitled to receive an annual bonus for each full or partial fiscal year of the Company during the Employment Period (the "**Annual Bonus**"), based upon the Company achieving financial and business objectives for the fiscal year with respect to which the Annual Bonus accrues. The financial and business objectives for each fiscal year shall be determined by the Compensation Committee in its sole discretion, after consultation with the Executive, within the timeframes set forth in Section 9(a) of the Company's 2008 Incentive Plan (as amended from time to time, the "**2008 Plan**"), or a similar section of any successor Company incentive plan. The target Annual Bonus for each fiscal year shall be no less than two hundred percent (200%) of the Base Salary in effect on the first day of such fiscal year. The Annual Bonus shall be paid in the form determined by the Compensation Committee in its sole discretion, including, without limitation, cash, shares of Company Common Stock, stock options or other equity-based awards. The Company shall pay each Annual Bonus to the Executive no later than two and a half (2½) months after the end of the fiscal year for which the Annual Bonus is awarded provided that, except as otherwise provided in this Agreement, the Executive remains continuously employed by the Company or its subsidiaries and affiliates (the "**Company Group**") through the date on which the Annual Bonus is paid. With respect to the partial fiscal year of the Employment Period ending on the last day of the Employment Period, the Executive shall be eligible for an Annual Bonus if he remains employed by the Company or the Company Group through the last day of the Employment Period; provided, however, that any such Annual Bonus shall be equal to the Annual Bonus the Executive earns for the fiscal year during which the Expiration Date occurs, multiplied by a fraction, the numerator of which is the number of days worked during the fiscal year in which the Expiration Date occurs and the denominator of which is 365. Along with the payment of each Annual Bonus, the Company shall also deliver to the Executive a written statement setting forth the basis of its calculation of such Annual Bonus. The Executive and the Executive's representatives shall have the right, at the Executive's cost, to inspect the records of the Company with respect to the calculation of any such Annual Bonus, to make copies of said records utilizing the Company's facilities without charge, and to have free and full access thereto upon reasonable notice during the normal business hours of the Company. The Annual Bonus shall be prorated to the extent it is calculated for a period of less than a full fiscal year. The

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Annual Bonus is intended to qualify as annual incentive compensation under Section 9 of the 2008 Plan, or a similar section of any successor Company incentive plan, and shall be subject to the conditions and limitations of such section.

(c) **Performance Bonus.** The Compensation Committee, in its sole discretion, may award to the Executive a performance bonus at any time in such amount and in such form as the Compensation Committee may determine, including, without limitation, in the form of cash, shares of Company Common Stock, stock options or other equity-based awards, as the case may be (the "**Performance Bonus**"), after taking into consideration other compensation paid or payable to the Executive under this Agreement, as well as the financial and non-financial progress of the business of the Company and the contributions of the Executive toward that progress. Any Performance Bonus shall be prorated to the extent it is calculated for a period of less than a full fiscal year.

(d) **Sign-On Bonus.** In connection with the Executive's execution of this Agreement, the Executive shall receive a cash sign-on bonus in the aggregate of \$2,500,000, payable in a lump sum cash amount at the same time as the Salary Adjustment Payment is made.

4. **Other Benefits.**

(a) **Benefits and Perquisites.** During the Employment Period, the Executive shall be entitled to participate in all health, welfare, retirement, pension, life insurance, disability and similar plans, programs and arrangements generally available to the U.S.-based senior executive group of the Company in accordance with the terms and conditions of such plans, programs and arrangements, as amended from time to time. In addition, during the Employment Period the Executive shall be entitled to participate in all perquisite programs available to the U.S.-based senior executive group of the Company on the terms and conditions then prevailing under such programs, as amended from time to time.

(b) **Expenses.** During the Employment Period, the Executive shall be reimbursed by the Company for all reasonable travel, entertainment, conference expenses, organization dues and other business expenses incurred by the Executive in connection with the performance of the Executive's services under this Agreement, subject to the Company's policies in effect from time to time with respect to such expenses, including the requirements with respect to reporting and documentation of such expenses.

(c) **Office and Support Staff.** During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, including personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company at any time during the ninety (90) day period immediately preceding the Effective Date, or, if more favorable to the Executive, as provided at any time after the Effective Date to the Executive or any other senior executive officers of the Company.

(d) **Vacation.** The Executive shall be entitled to four (4) weeks paid vacation, or such greater number of weeks as are provided in the Company's vacation policy, each fiscal year during the Employment Period, in addition to regular paid holidays provided to all full-time

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employees of the Company in the United States; provided, however, that unused vacation time shall not be carried over to any subsequent year. Vacation time shall be taken as determined by the Executive in his reasonable and good faith discretion; provided, however, that such time taken is mutually convenient to the Company and not disruptive to the Company's activities or the Executive's responsibilities.

(e) **Life Insurance.** The Company shall continue for a period of ten (10) years commencing on the Effective Date to maintain a renewable term insurance policy or policies covering the life of the Executive in an amount equal to three (3) times the sum of the Executive's Base Salary and target Annual Bonus as of the Effective Date, naming the Executive's estate or any other person designated by the Executive as beneficiary of such policy or policies. The Executive has the right to require the Company at any time to prepay all of the premiums associated with such policy or policies so as to ensure such policies remain in force for the full ten (10)-year period.

5. **Restricted Share Unit Grant.** On the date hereof, the Company shall grant the Executive an award of restricted stock units (the "**Restricted Share Units**") with a value on the date of grant equal to \$25,000,000, as determined by reference to the Company's average closing stock price as reported on the NASDAQ Global Market Reporting System ("**NASDAQ**") for the thirty (30) business days prior to the date of grant (the "**Grant Date Value**") pursuant to the 2008 Plan and subject to the further terms and conditions as set forth in an award agreement to be entered into between the Company and the Executive in the form set forth in Exhibit A hereto (the "**Restricted Share Unit Grant Agreement**").

6. **Performance Share Grant.** On the date hereof, the Company shall grant the Executive performance shares (the "**Performance Shares**") with a Grant Date Value at target equal to \$25,000,000 pursuant to the 2008 Plan and subject to the further terms and conditions as set forth in an award agreement to be entered into between the Company and the Executive in the form set forth in Exhibit B hereto (the "**Performance Share Grant Agreement**"). For the avoidance of doubt, the Performance Share Award granted on July 9, 2008 (the "**2008 Performance Shares**") pursuant to Section 6 of the Original Agreement as it was amended and restated on December 1, 2007 and subsequently amended on or about July 8, 2008, and the Notice of Performance Share Award and Performance Share Award Terms dated July 9, 2008 (all of the foregoing being herein referred to collectively as, the "**2008 Performance Share Grant Agreement**"), shall remain outstanding in accordance with such terms (including, without limitation, Section 6 of the Original Agreement, as subsequently amended), it being understood that pursuant to such terms, the 2008 Performance Shares expire on December 31, 2012.

7. **Termination.** The employment by the Company Group of the Executive shall be terminated as provided in this Section 7:

(a) **Death.** Upon the Executive's death ("**Death**").

(b) **Disability.**

(i) The Company or the Executive, upon not less than thirty (30) days written notice to the other party ("**Disability Notice**"), may terminate the employment by the

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Company of the Executive if the Executive has been unable, by reason of physical or mental disability, to render, for 120 successive days or for shorter periods aggregating 210 days or more in any twelve (12) month period, services of the character contemplated by this Agreement and will be unable to resume providing such services within a reasonable period of time by reason of such disability (such circumstances being referred to as "**Disability**").

(ii) The determination of whether the Executive has become Disabled within the meaning of this Section 7(b) shall be made (A) in the case of a termination of employment by the Company, by a medical doctor selected by the Company, or (B) in the case of a termination of employment by the Executive, by the Executive's medical doctor. In the event the Company gives a notice of termination of employment under this Section 7(b), the Executive or his representative may at any time prior to the effective date of termination contest the termination and cause a determination of Disability to be made by Executive's medical doctor. In the event the Executive gives a notice of termination of employment under this Section 7(b), the Company may at any time prior to the effective date of termination contest the termination and cause a determination of Disability to be made by a medical doctor selected by the Company. In either case, if such medical doctors do not agree with regard to the determination of Disability, they shall mutually choose a third medical doctor to examine the Executive, and the Disability determination of such third medical doctor shall be binding upon both the Company and the Executive.

(c) **Without Cause.** By the Company, for any reason other than Death, Cause or Disability, but only upon a vote of a majority of the entire Board (or such other vote required pursuant to the By-Laws) at a meeting duly called and held at which the Executive shall have the right to be present and be heard.

(d) **Cause.** By the Company, for Cause, but only upon a vote of a majority of the entire Board (or such other vote required pursuant to the By-Laws) at a meeting duly called and held at which Executive shall have the right to be present and be heard. The term "**Cause**" means (i) any act of fraud or embezzlement in respect of the Company or its funds, properties or assets; (ii) conviction of a felony relating to the Executive's actions as an executive of the Company under the laws of the United States or any state thereof (provided that all rights of appeal have been exercised or have lapsed) unless such acts were committed in the reasonable, good faith belief that his actions were in the best interests of the Company and its stockholders and would not violate criminal law; (iii) willful misconduct or gross negligence by the Executive in connection with the performance of his duties that has caused or is highly likely to cause severe harm to the Company; or (iv) intentional dishonesty by the Executive in the performance of his duties hereunder which has a material adverse effect on the Company.

In the case of any termination for Cause, the Company shall provide the Executive with a Notice of Termination (as defined in Section 8) giving the Executive at least thirty (30) days written notice of its intent to terminate this Agreement and his employment. The Notice of Termination shall specify (x) the effective date of his termination and (y) the particular acts or circumstances that constitute Cause for such termination. The Executive shall be given the opportunity within fifteen (15) days after receiving the notice to explain why Cause does not

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exist or to cure any basis for Cause. Within fifteen (15) days after any such explanation or cure, the Company will make its final determination regarding whether Cause exists and deliver such determination to the Executive in writing. If the final decision is that Cause exists and no cure has occurred, the Executive's employment with the Company shall be terminated for Cause as of the Date of Termination (as defined in Section 8) specified in the Notice of Termination. If the final decision is that Cause does not exist or a cure has occurred, the Executive's employment with the Company shall not be terminated for Cause at that time.

(e) **Resignation.** By the Executive, other than for Good Reason ("**Resignation**").

(f) **Good Reason.** By the Executive, for Good Reason. As used herein, the term "**Good Reason**" means that, without the Executive's prior written consent, there shall have occurred: (i) a reduction in the Executive's Base Salary; (ii) a material reduction in the Executive's benefits as set forth in Section 4(a), 4(d) or 4(e); (iii) the assignment to the Executive of any duties inconsistent with the Executive's position, duties, responsibilities, authority or status with the Company or a change in the Executive's reporting responsibilities, titles or offices as in effect prior to such assignment or change; (iv) the Executive's failure to be nominated for election, or failure to be elected or re-elected, as a member of the Board at the expiration of each term of office; (v) the Company's material breach or failure to perform, when due, any of its obligations under this Agreement; (vi) any purported termination of Executive's employment which is not effected pursuant to a Notice of Termination satisfying the applicable requirements with respect to Section 8; (vii) a determination by the Executive, made in good faith, that the Executive is not able to discharge his duties effectively by reason of directives from the Board requiring the Executive to perform duties not directly related to the operations of the Company; or (viii) the purported termination of the Executive's employment by the Company in violation of the By-Laws (which purported termination shall be ineffective). For avoidance of doubt, the failure to pay the Executive an Annual Bonus or the payment of an Annual Bonus that is less than the Executive's target Annual Bonus, in each case as a result of the Company failing to achieve the financial and business objectives established by the Compensation Committee for the fiscal year to which the Annual Bonus relates, shall not constitute Good Reason hereunder.

In the case of any termination for Good Reason, the Executive shall provide the Company with a Notice of Termination giving the Company at least thirty (30) days written notice of his intent to terminate this Agreement and his employment. The Notice of Termination shall specify (x) the effective date of his termination and (y) the particular acts or circumstances that constitute Good Reason for such termination. The Company shall be given the opportunity within fifteen (15) days after receiving the Notice of Termination to cure any basis for Good Reason. If no cure is effected, the Executive's resignation shall be effective as of the Date of Termination (as defined in Section 8) specified in the Notice of Termination. If a cure is effected, the Executive's resignation shall not be effective at that time.

8. **Notice and Date of Termination.**

(a) Any termination of the Executive's employment with the Company Group under Section 7, other than by reason of Death, shall be communicated by written Notice of

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Termination from the terminating party to the other party hereto. For purposes of this Agreement, a "**Notice of Termination**" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The effective date of any termination of the Executive's employment (the "**Date of Termination**") shall be:

(i) if the Executive's employment is terminated by Death, the date of the Executive's death;

(ii) if the Executive's employment is terminated without Cause or by the Executive for Good Reason, the later of (A) thirty (30) days after Notice of Termination is given and (B) the expiration of any applicable cure period;

(iii) if the Executive's employment is terminated by reason of Disability, (i) thirty (30) days after the Disability Notice or (ii) upon a final determination, pursuant to Section 7(b) above, as the case may be, whichever is later; provided that the Executive shall not have returned to the full-time performance of his duties during such period; and

(iv) if the Executive's employment is terminated on account of Cause or Resignation, the date specified in the Notice of Termination, which shall be no less than ten (10) nor more than thirty (30) days after such Notice of Termination is given.

(b) The Executive agrees to resign, on the Date of Termination, as an officer and director of the Company and any member of the Company Group, as applicable, and as a fiduciary of any benefit plan of the Company or any member of the Company Group, as applicable, and to promptly execute and provide to the Company any further documentation, as requested by the Company, to confirm such resignation.

9. **Compensation Upon Termination.** Upon the termination of the Executive's employment with the Company Group pursuant to Section 7, the Executive's rights and the Company's obligations under this Agreement shall immediately terminate except as provided in Section 19(m), and the Executive (or his 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 9 are (x) provided in lieu of any severance or income continuation protection under any plan of the Company Group that may now or hereafter exist, (y) provided in addition to any payments the Executive (or his beneficiaries or estate, as applicable) may be entitled to receive pursuant to any pension or employee benefit plan or disability or life insurance policy maintained by the Company Group, and (z) except as provided in Section 19(m), deemed to satisfy and be in full and final settlement of all obligations of the Company Group to the Executive under this Agreement. The Executive shall have no further right to receive any other compensation or benefits following the Date of Termination for any reason except as set forth in this Section 9.

(a) **Compensation Upon Death.** In the event of a termination of the Executive's employment with the Company Group upon Death, the Executive's heirs, successors or legal representatives shall be entitled to receive:

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(i) the Base Salary through the Date of Termination, any unpaid Annual Bonus and Performance Bonus for any prior fiscal year, and any reimbursement due to Executive pursuant to Section 4(b) (the “**Accrued Obligations**”);

(ii) an amount equal to the Annual Bonus the Executive earned for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, multiplied by a fraction, the numerator of which is the number of days worked during the fiscal year in which the Date of Termination occurs and the denominator of which is 365 (the “**Pro Rata Annual Bonus**”);

(iii) the Executive and his then current spouse and minor children, if any, shall receive the same level of health/medical insurance or coverage provided immediately prior to the Date of Termination on a non-taxable basis for two (2) years, with the cost of such continued insurance or coverage being borne by the Company;

(iv) all outstanding options to purchase Company Common Stock granted to the Executive at any time prior to January 1, 2007, which the Company acknowledges are fully vested (the “**Prior Options**”), shall remain exercisable until the earlier of their original expiration date or the fifth (5th) anniversary of the Date of Termination;

(v) all outstanding options to purchase Company Common Stock granted to the Executive on June 15, 2007, which the Company acknowledges are fully vested (the “**June Options**”), shall remain exercisable until the original expiration date of the June Options; and

(vi) the Executive shall immediately vest in the remaining number of unvested options to purchase Company Common Stock granted to the Executive on December 5, 2007 (the “**2007 Options**”) as of the Date of Termination, so that the 2007 Options are fully vested. Vested 2007 Options (including the 2007 Options that vest in accordance with this Section 9(a)) will remain exercisable until the original expiration date of the 2007 Options.

Disability,

(b) **Compensation Upon Disability.** In the event of termination of the Executive’s employment with the Company Group for

(i) the Executive shall be entitled to receive the Accrued Obligations;

(ii) the Executive shall be entitled to receive the Pro Rata Annual Bonus;

(iii) the Executive shall be entitled to receive an amount equal to one (1) times his Base Salary;

(iv) the Executive and his then current spouse and minor children, if any, shall receive the same level of health/medical insurance or coverage provided immediately prior to the Date of Termination on a non-taxable basis for two (2) years, with the cost of such continued insurance or coverage being borne by the Company;

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(v) the Prior Options shall remain exercisable until the earlier of their original expiration date or the fifth (5th) anniversary of the Date of Termination;

(vi) the June Options shall remain exercisable until the original expiration date of the June Options; and

(vii) the Executive shall immediately vest in the number of remaining unvested 2007 Options equal to the remaining number of unvested 2007 Options as of the Date of Termination, so that the 2007 Options are fully vested; provided, however, that this Section 9(b)(vii) shall not apply upon a termination of employment following a Change of Control. Vested 2007 Options (including the 2007 Options that vest in accordance with this Section 9(b)) will remain exercisable until the original expiration date of the 2007 Options.

Payment of the Pro Rata Annual Bonus, the severance amount described in Section 9(b)(iii) and the treatment of the options described in clauses (v) through (vii) of this Section 9(b) are expressly conditioned upon the Executive’s execution of a waiver and release agreement in the form attached as Exhibit C to this Agreement (the “**Release**”) and the Release becoming effective and irrevocable in its entirety within ninety (90) days after the Executive’s Date of Termination (the “**Release Period**,” and the date on which the Release has become effective and irrevocable, the “**Release Date**”).

Notwithstanding the above, if the Executive’s Disability is not such that the Executive is “disabled” for purposes of Section 409A(a)(2)(C) of the Internal Revenue Code of 1986, as amended (the “**Code**”), the payments and benefits described in this Section 9(b) shall be subject to Section 19(c).

(c) **Compensation Upon Resignation Or Termination For Cause.** In the event of termination of the Executive’s employment with the Company Group upon Resignation or termination for Cause:

(i) the Executive shall be entitled to receive the Accrued Obligations;

(ii) all unvested options shall expire on the Date of Termination;

(iii) upon a termination for Cause, all vested options shall expire on the Date of Termination; and

(iv) upon a Resignation, all vested options will expire on the earlier of (i) their original expiration date or (ii) the later of (A) thirty (30) days following the Date of Termination and (B) the first date on which the Executive may sell shares of Company Common Stock over the primary exchange on which such Common Stock is listed for trading in accordance with applicable law and any applicable Company policy.

(d) **Compensation Upon Termination By Executive For Good Reason Or By The Company Without Cause.** In the event the Executive’s employment with the Company Group is terminated by the Executive for Good Reason or by the Company without Cause other

than a termination during the twelve (12) month period following the effective date of a Change of Control:

- (i) the Executive shall be entitled to receive the Accrued Obligations;
- (ii) the Executive shall be entitled to receive an amount equal to the Annual Bonus the Executive earns for the fiscal year during which the Date of Termination occurs, multiplied by a fraction, the numerator of which is the number of days worked during the fiscal year in which the Date of Termination occurs and the denominator of which is 365 (the “**Current Pro Rata Annual Bonus**”);
- (iii) the Executive shall be entitled to receive an amount equal to two (2) multiplied by the sum of (x) the Base Salary in effect on the Date of Termination and (y) the target Annual Bonus for the fiscal year in which the Date of Termination occurs;
- (iv) the Executive and his then current spouse and minor children, if any, shall receive the same level of health/medical insurance or coverage provided immediately prior to the Date of Termination on a non-taxable basis for two (2) years, with the cost of such continued insurance or coverage being borne by the Company;
- (v) the Prior Options shall remain exercisable until the earlier of their original expiration date or the fifth (5th) anniversary of the Date of Termination;
- (vi) the June Options shall remain exercisable until the original expiration date of the June Options; and
- (vii) the Executive shall immediately vest in the number of unvested 2007 Options as of the Date of Termination, so that the 2007 Options are fully vested; provided, however, that this Section 9(d)(vii) shall not apply upon a termination of employment following a Change of Control. Vested 2007 Options (including the 2007 Options that vest in accordance with this Section 9(d)) will remain exercisable until the original expiration date of the 2007 Options.

Payment of the Current Pro Rata Annual Bonus, the severance amount described in Section 9(d)(iii), and the treatment of the options described in clauses (v) through (vii) of this Section 9(d) are expressly conditioned upon the Executive’s execution of a Release and such Release becoming effective and irrevocable in its entirety on or prior to the last day of the Release Period.

Notwithstanding the above, the payments and benefits described in this Section 9(d) shall be subject to Section 19(c).

(e) **Restricted Share Units and Performance Shares.** The vesting of the Restricted Share Units upon any termination of Executive’s employment shall be governed by the terms set forth in the Restricted Share Unit Grant Agreement and the vesting of the Performance Shares upon any termination of Executive’s employment shall be governed by the terms set forth in the Performance Share Grant Agreement. In addition, the vesting of the 2008

Performance Shares upon any termination of the Executive’s employment shall be governed by the terms set forth in the 2008 Performance Share Grant Agreement.

(f) **No Mitigation.** The Executive shall not be required to mitigate the amount of any payment provided for in this Section 9 or in Section 10 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 9 or in Section 10 be reduced by any compensation earned by him as the result of employment by another employer or by retirement benefits after the Date of Termination or otherwise, except as specifically provided in this Section 9 or in Section 10.

(g) **Time and Form of Payment of Severance Amounts.** Subject to Section 19(c), (i) the Pro Rata Annual Bonus shall be paid to the Executive on the first (1st) business day following the Release Date; provided, however, that if the Release Period begins in one taxable year and ends in the subsequent taxable year, the Pro Rata Annual Bonus shall be paid on the later of the Release Date or the first business day of such subsequent taxable year; (ii) the Current Pro Rata Bonus shall be paid to the Executive during the fiscal year following the year in which the Date of Termination occurs on the date that annual bonuses relating to the fiscal year in which the Executive’s Date of Termination occurs are paid to executive officers of the Company, and no later than two and a half (2½) months after the fiscal year in which the Date of Termination occurs; (iii) the Accrued Obligations will be paid to the Executive in a lump sum not later than the tenth (10th) business day following the Date of Termination and (iv) the amounts payable pursuant to Sections 9(b)(iii), 9(d)(iii) and 10(d) will be paid in equal installments over the twelve (12) month period commencing on the Release Date in accordance with the Company’s payroll practices as in effect from time to time; provided, however, that if the Release Period begins in one taxable year and ends in the subsequent taxable year such payments shall commence on the later of the Release Date or the first business day of such subsequent taxable year, provided further, however, that payment of such severance amounts shall immediately cease, and the Executive shall have no further rights with respect to such amounts, if the Executive has violated any of the provisions set forth in Sections 12, 13 or 14.

10. Change of Control. (a) For purposes of this Agreement, a “**Change of Control**” shall be deemed to occur upon the occurrence of any of the following events:

- (i) any “**person**” or “**group**” (as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and the rules and regulations promulgated thereunder) is or becomes the “**beneficial owner**” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 25% of the total outstanding voting stock of the Company, provided, that no Change of Control shall be deemed to have occurred under this clause (i) if the person or group acquiring 25% or more of the total outstanding stock of the Company (A) beneficially owns fewer shares than Vivendi, S.A., a Societe Anonyme organized under the laws of France (“**Vivendi**”) and its affiliates in the aggregate, and (B) does not have, by virtue of such beneficial ownership or by contract the right to elect a majority of the Board;
- (ii) the individuals who constitute the Board as of the Effective Date (the “**Incumbent Board**”) cease to constitute a majority of the Board, for any reason(s) other than (A) the voluntary resignation of one or more Board members; or (B) the removal of

one or more directors by the Company's shareholders for good cause; provided, however (1) that if the nomination or election of any new director of the Company was approved by a majority of the Incumbent Board, such new director shall be deemed a member of the Incumbent Board and (2) that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "**Election Contest**" (as described in Rule 14a-11 promulgated under the Exchange Act) or as a result of a solicitation of proxies or consents by or on behalf of any "**person**" or "**group**" identified in clause (a)(i) above; or

(iii) the Company consolidates with, or merges with or into another person or entity or conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person or entity, or any person or entity consolidates with or merges with or into the Company; provided, however that any such transaction shall not constitute a Change of Control if the shareholders of the Company immediately before such transaction own, directly or indirectly, immediately following such transaction in excess of sixty-five percent (65%) of the combined voting power of the outstanding voting securities of the corporation or other person or entity resulting from such transaction in substantially the same proportion as their ownership of the voting securities of the Company immediately before such transaction.

(iv) For purposes of this subsection, the term "**Affiliate**" means, with respect to any individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind (each a "**Person**"), any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "**Control**," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "**Affiliated**," "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing; provided, however, that no Change of Control shall be deemed to have occurred upon the acquisition of additional control of the Company by Vivendi or by any one person or more than one person acting as a group that beneficially owns, directly or indirectly, more than 50% of the total outstanding voting stock of the Company.

(b) In the event that the Executive is an employee of the Company at the moment immediately prior to a Change of Control:

(i) upon the consummation of the Change of Control, all Prior Options shall remain exercisable until their original expiration date, without regard to Executive's continued employment with the Company pursuant to this Agreement and without regard to the terms of any option agreement or option certificate applicable to any Prior Options;

(ii) upon the consummation of the Change of Control, all June Options shall remain exercisable until the original expiration date of the June Options;

(iii) the Executive shall immediately vest, upon the consummation of the Change of Control, in the 2007 Options;

(iv) The 2007 Options that vest in accordance with Section 10(b)(iii) will remain exercisable until the earlier of (A) the tenth (10th) anniversary of the date of the Change of Control or (B) their original expiration date, without regard to Executive's continued employment with the Company pursuant to this Agreement and without regard to the terms of any option agreement or option certificate applicable to the 2007 Options, and all other vested 2007 Options shall remain exercisable in accordance with their terms;

(v) the Restricted Share Units shall vest in accordance with the terms of the Restricted Share Unit Grant Agreement and the Performance Shares shall vest in accordance with the terms of the Performance Share Grant Agreement; and

(vi) the Executive will immediately vest, upon the consummation of the Change of Control, in all of the 2008 Performance Shares in accordance with the terms of the 2008 Performance Share Grant Agreement.

(c) With respect to each Outstanding Option (as defined below) as of the date of the Change of Control, in the event that the Closing Share Value (as defined below) is greater than the exercise price of any such Outstanding Option, then the Executive shall have the right, separately with respect to each of the Outstanding Options, to either (A) retain the Outstanding Options, (B) exercise the Outstanding Options, or (C) forfeit the Outstanding Options and receive, in exchange therefor, a cash payment equal to the number of shares of Company Common Stock underlying the Outstanding Options multiplied by the amount that the Closing Share Value exceeds the exercise price of the Outstanding Options. For purposes of this Section 10(c):

(i) "**Closing Share Value**" shall mean the Closing Price of the shares of the Company Common Stock on the date of the Change of Control;

(ii) the "**Closing Price**" of a share of Company Common Stock on any date shall mean the last sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the such shares are listed or admitted to trading or, if such shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the highest bid and lowest ask prices in the over-the-counter market, as reported by NASDAQ or, if such system is no longer used, the principal other automated quotation system that may then be in use or, if such shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making market in the shares as such person is selected from time to time by the Board or, if there are no professional market makers making a market in the shares, then the value as determined in good faith judgment of the Board; and

(iii) the term “**Outstanding Options**” with reference to a particular date shall mean all vested options to purchase Company Common Stock held by the Executive as of such date, including options which vest and become exercisable pursuant to Section 10(b).

(d) **Termination Following a Change of Control.** In the event the Executive’s employment is terminated by the Executive for Good Reason or by the Company without Cause at any time during the twelve (12) month period following the effective date of a Change of Control, the Executive shall be entitled to the benefits set forth in Sections 9(d)(i), 9(a)(ii), 9(d)(iii) and 9(d)(iv); provided, however, that references to the clause “two (2)” in Section 9(d)(iii) shall be changed to “three (3)”; and provided, further, that if, following a Change of Control, the Executive is granted additional equity awards, nothing in this Section 10(d) will prohibit the Executive from vesting in such equity awards upon a subsequent termination of employment for Good Reason or without Cause.

(e) **Change of Control Success Bonus.** If, during the Employment Period but after 2012, there is a Change of Control, the Executive shall receive a cash bonus in an amount equal to at least \$30,000,000, which amount may be increased (but not decreased) in the good faith discretion of the Compensation Committee to no more than \$45,000,000 (the “**Change of Control Success Bonus**”); provided, however, that if the Executive’s employment is terminated by the Company without Cause, and a Change of Control is consummated within six (6) months after such Date of Termination, the Executive shall receive the Change of Control Success Bonus. The Change of Control Success Bonus shall be paid by the Company to the Executive in a lump sum as soon as practicable, but not more than ten (10) days following the Change of Control; provided, however, that in the event that the Executive’s employment is terminated by the Company without Cause prior to the consummation of a Change of Control, the Change of Control Success Bonus shall be paid on the date occurring six (6) months after such Date of Termination.

11. Gross-Up Payment. (a) If, whether during or after the Employment Period, there is a change in ownership or control of the Company that causes any payment, benefit or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 11) (a “**Payment**”) to be subject to the excise tax (the “**Excise Tax**”) imposed by Section 4999 of the Code, then the Executive shall be entitled to receive an additional payment (a “**Gross-Up Payment**”) in an amount such that after payment by the Executive of all taxes, including any income taxes and Excise Tax imposed upon the Gross-Up Payment, the Executive will retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) **Determination of the Gross-Up Payment.** Subject to the provisions of this Section 11, all determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm designated by the Executive and reasonably acceptable to the Company (the “**Accounting Firm**”), which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive

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that there has been a Payment with respect to which the Executive in good faith believes a Gross-Up Payment may be due under this Section 11, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 11, shall be paid by the Company to the Executive within five (5) days of the later of (A) the due date for the payment of any Excise Tax and (B) the receipt of the Accounting Firm’s determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (the “**Underpayment**”), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to this Section 11 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to the Executive or for the Executive’s benefit. The previous sentence shall apply *mutatis mutandis* to any overpayment of a Gross-Up Payment.

(c) **Procedures.** The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim;
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;
- (iii) cooperate with the Company in good faith in order effectively to contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses incurred in connection with such contest (including payment as incurred of the fees and expenses of counsel selected by the Executive to represent him personally in connection with such contest) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax imposed as a result of such representation and payment of costs and expenses.

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Without limiting the foregoing provisions of this Section 11, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, to the extent permitted by law, the Company shall advance the amount of such payment to the Executive on an interest-free basis (which shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid) and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided further that any extension of the statute of limitations relating to payment of taxes for the Executive's taxable year with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) **Refund.** If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 11(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the Executive receives an amount advanced by the Company pursuant to Section 11(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) **Timing of Payment.** Notwithstanding anything in this Section 11, any Gross-Up Payment or reimbursement by the Company of expenses incurred by the Executive in connection with a litigation proceeding relating to the Excise Tax, as provided for in this Section 11, shall be paid no later than the last day of the calendar year following the calendar year in which the Executive remitted the Excise Tax or, if no Excise Tax is paid, the end of the calendar year following the calendar year in which there is a final and nonappealable settlement or other resolution of the litigation.

12. Non-Solicitation. During the Employment Period and for two (2) years thereafter (the "**Restricted Period**"), the Executive covenants and agrees that he shall not directly interfere with or attempt to interfere with the relationship between the Company Group and any person who is, or was during the then most recent six (6)-month period, an officer or employee of the Company Group or solicit, induce, hire or attempt to solicit, induce or hire any of them to leave the employ of any member of the Company Group or violate the terms of their respective contracts, or any employment arrangements, with such entities.

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13. Non-Competition. (a) During the Employment Period, the Executive shall not engage (including, without limitation, as an officer, director, shareholder, owner, partner, joint venturer, member or in a managerial capacity, or as an employee, independent contractor, consultant, advisor or sales representative) in any Competitive Business (as hereinafter defined). For purposes of determining whether the Executive is permitted to be a shareholder of a corporation engaged in a Competitive Business, the Executive's ownership of less than 5% of the issued and outstanding securities of a company whose securities are publicly-traded in any U.S. or non-U.S. securities exchanges or quotation system shall be permitted.

(b) As used herein, the term "**Competitive Business**" shall mean any business engaged in publishing, distributing, programming, designing and marketing video games and entertainment software for personal computers.

(c) As used herein, the term "**Territory**" shall mean:

(i) The following counties in the State of California: Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Ventura, Yolo, and Yuba;

(ii) Each and every county or other political or geographical subdivision in the balance of the United States of America and the dependent territories of the United States of America; and

(iii) Each and every county or other political or geographical subdivision in the world.

14. Confidential Information. (a) The Executive has executed or, if not previously executed, agrees to execute and be bound by the terms and conditions of the Company's Employee Proprietary Information Agreement ("**Proprietary Information Agreement**"), attached hereto as Exhibit D.

(b) During the Restricted Period, the Executive shall not use the confidential, trade secret information of the Company Group or any other unlawful means to directly or indirectly solicit, induce or entice any employee, client, customer, contractor, licensor, agent, partner or other business relationship of the Company Group to terminate, discontinue, renegotiate or otherwise cease or modify its relationship with the Company Group.

15. Unenforceability. If any of the rights or restrictions contained or provided for in this Agreement shall be deemed by a court of competent jurisdiction to be unenforceable by reason of the extent, duration or geographical scope, the parties hereto contemplate that the court shall reduce such extent, duration, geographical scope and enforce this Agreement in its reduced form for all purposes in the manner contemplated hereby. Should any of the provisions of this Agreement require judicial interpretation, it is agreed that the court

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interpreting or construing this Agreement shall not apply a presumption that any provision shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agents prepared the same, it being agreed that

both parties and their respective agents have participated in the preparation of this Agreement.

16. Injunctive Relief. The Executive agrees that the restrictions and covenants contained in Sections 12, 13 and 14 and in the Proprietary Information Agreement are necessary for the protection of the Company and any breach thereof will cause the Company irreparable damages for which there is no adequate remedy at law. The Executive further agrees that, in the event of a breach by the Executive of any of the Executive's obligations under this Agreement, the Company shall have the absolute right, in addition to any other remedy that might be available to it, to obtain from any court having jurisdiction, such equitable relief as might be appropriate, including temporary, interlocutory, preliminary and permanent decrees or injunctions enjoining any further breach of such provisions.

17. Indemnification and Attorneys' Fees. During the Employment Period and thereafter, the Company shall indemnify, hold harmless and defend the Executive to the fullest extent permitted by Delaware law and the Company's articles of incorporation and by-laws in effect from time to time from all damages, claims, losses, and costs and expenses (including reasonable attorney's fees) arising out of, in connection with, or relating to all acts or omissions taken or not taken by the Executive in good faith while performing services for the Company, and shall further promptly reimburse the Executive for all expenses (including attorney's fees) incurred in (i) enforcing this Agreement and (ii) to a maximum of \$60,000, in negotiating and drafting this Agreement. The Company shall use its best efforts to continue to maintain an insurance policy covering the officers and directors of the Company against claims and/or lawsuits, at least as favorable as such policy that is currently in effect, and shall cause the Executive to be covered under such policy upon the same terms and conditions as other similarly situated officers and directors during the Employment Period and for a period of at least six (6) years thereafter.

18. Waiver. The Executive hereby waives any and all rights and payments under the Original Agreement, except to the extent such Original Agreement relates to the 2008 Performance Shares and the 2008 Performance Share Grant Agreement. Notwithstanding any other provision of this Agreement to the contrary, if the Executive provides a Notice of Termination on account of Resignation on the Effective Date and effective on such date, then this Agreement shall be terminated without liability to the Executive.

19. Miscellaneous.

(a) **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under existing or future laws effective during the Employment Period, 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

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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.

(b) **Withholding.** The Company 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.

(c) **Section 409A.**

(i) If any amounts that become due under Sections 9 or 10 of this Agreement constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the regulations promulgated thereunder ("**Section 409A**"), payment of such amounts shall not commence until the Executive incurs a "Separation from Service" (as defined below) if and only if necessary to avoid accelerated taxation or tax penalties in respect of such amounts.

(ii) Notwithstanding anything herein to the contrary, if the Executive is a "Specified Employee," for purposes of Section 409A, on the date on which he incurs a Separation from Service, any payment hereunder that provides for the "deferral of compensation" within the meaning of Section 409A shall be paid on the first (1st) business day after the date that is six (6) months following the Executive's "Separation from Service" (the "**409A Delayed Payment Date**"); provided, however, that such delay shall apply if and only if necessary to avoid accelerated taxation or tax penalties in respect of such amounts; provided, further, that a payment delayed pursuant to the preceding clause shall commence earlier than the 409A Delayed Payment Date in the event of the Executive's Death prior to the end of the six (6) month period. On the 409A Delayed Payment Date, the Executive shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence (the "**Catch-Up Amount**"), plus interest on the Catch-Up Amount equal to the short term federal rate applicable under Section 7872(f)(2)(A) of the Code for the month in which occurs the Executive's Separation from Service. Such interest shall be paid at the same time that the Catch-up Amount is paid. Thereafter, the Executive 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)(A)(i) of the Code and determined in accordance with the default rules under Section 409A. "**Specified Employee**" shall have the meaning set forth in Section 409A(a)(2)(B)(i) of the Code, as determined in accordance with the uniform methodology and procedures adopted by the Company and then in effect.

(iv) Anything in this Agreement to the contrary notwithstanding, no reimbursement payable to the Executive pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of the Company 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

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Section 409A. No amount reimbursed during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year.

(d) **Notices.** For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when (i) delivered personally; (ii) sent by facsimile or other similar electronic device and confirmed; (iii) delivered by courier or overnight express; or (iv) three (3) business days after being sent by registered or certified mail, postage prepaid, addressed as follows:

If to the Company: Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attention: Chief Legal Officer

If to the Executive: Robert A. Kotick
c/o Activision Blizzard, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405

with a copy to: Grubman Indursky Shire & Meiselas, P.C.
152 West 57th Street
New York, NY 10019
Attention: Allen J. Grubman

or to such other address as a party may furnish to the other party in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

(e) **No Waiver.** No waiver by either party hereto of any breach of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of such provision or any other provision herein contained.

(f) **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, without giving effect to the conflict of law principles thereof; provided, however, that Sections 12, 13 and 14 of this Agreement shall be governed by, and construed in accordance with, the laws of the state in which the Executive has his principal office.

(g) **Entire Agreement.** This Agreement, the Restricted Share Unit Grant Agreement, the Performance Share Grant Agreement, the 2008 Performance Share Grant Agreement and the Proprietary Information Agreement set forth the entire agreement of the parties hereto with respect to the subject matter hereof, and are intended to supersede all prior or contemporaneous employment negotiations, understandings and agreements (whether written or oral), including the Original Agreement. No provision of this Agreement may be waived or changed, except by a writing signed by the party to be charged with such waiver or change.

(h) **Successors; Binding Agreement.** Neither of the parties hereto shall have the right to assign this Agreement or any rights or obligations hereunder without the prior written consent of the other party; provided, however, that this Agreement shall inure to the benefit or

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and be binding upon the successors and assigns of the Company upon any sale of all or substantially all of the Company's assets, or upon any merger or consolidation of the Company with or into any other corporation, all as though such successors and assigns of the Company and their respective successors and assigns were the Company. Insofar as the Executive is concerned, this Agreement, being personal, cannot be assigned; provided, however, that this Agreement shall be binding upon and inure to the benefit of the Executive and his executors, administrators and legal representatives.

(i) **Expiration.** This Agreement does not constitute a commitment of the Company with regard to the Executive's employment, express or implied, other than to the extent expressly provided for herein. Upon the Expiration Date, or, if earlier, the termination of the Executive's employment under this Agreement (and the Employment Period) pursuant to Section 7, neither the Company nor the Executive shall have any obligation to the other with respect to the Executive's continued employment.

(j) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original, but together shall constitute one and the same instrument.

(k) **Headings.** The headings and captions set forth in this Agreement are for ease of reference only and shall not be deemed to constitute a part of the agreement formed hereby or be relevant to the interpretation of any provisions of this Agreement.

(l) **Saturdays, Sundays and Holidays.** Whenever any determination is to be made or action to be taken on a date specified in this Agreement, if such date shall fall upon a Saturday, Sunday or a legal holiday in the State of California, the date for such determination or action shall be extended to the first (1st) business day immediately thereafter.

(m) **Survivability.** The provisions of Sections 9, 10, 11, 12, 13, 14, 15, 16, 17 and 19(c) of this Agreement shall survive the termination or expiration of this Agreement, in accordance with their terms. The provisions of the Restricted Share Grant Agreement, the Performance Share Grant Agreement and the 2008 Performance Share Grant Agreement shall survive the termination or expiration of this Agreement and shall continue to remain in effect in accordance with their terms.

(n) **Legal Counsel; Right to Negotiate.** The Executive acknowledges that he has been given the opportunity to consult with legal counsel or any other advisor of his own choosing regarding this Agreement. The Executive understands and agrees that any attorney retained by the Company or any member of management who has discussed any term or condition of this Agreement with him is only acting on behalf of the Company and not on the Executive's behalf. The Executive hereby acknowledges that he has been given the opportunity to participate in the negotiation of the terms of this Agreement. The Executive acknowledges and confirms that he has read this Agreement and fully understands its terms and contents.

[SIGNATURE PAGES BEGIN ON THE FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ACTIVISION BLIZZARD, INC.

By: /s/ Chris B. Walther
Name: Chris B. Walther
Title: Chief Legal Officer

/s/ Robert A. Kotick
Robert A. Kotick

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

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

Your name: [to come]

Total number of Restricted Share Units awarded: [to come]

Date of Grant: [to come]

Grant ID: [to come]

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 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.

Schedule for Vesting: [to come].

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

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

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

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

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

ACTIVISION BLIZZARD, INC.

Chris B. Walther
Chief Legal Officer

Date: _____

ACCEPTED AND AGREED:

[to come]

Date: _____

EXHIBIT A

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 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**” has the meaning given to such term in the Employment Agreement.

“**Change of Control**” has the meaning given to such term in the Employment Agreement.

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

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

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

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

“**Date of Termination**” has the meaning given to such term in the Employment Agreement.

“**Disability**” has the meaning given to such term in the Employment Agreement.

“**Employment Agreement**” means the Employment Agreement, dated **[to come]**, between Grantee and the Company.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

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

“**Good Reason**” has the meaning given to such term in the Employment Agreement.

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

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

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“**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 Amended and Restated Activision Blizzard, Inc. 2008 Incentive Plan, as amended from time to time.

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

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

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

“**Release**” has the meaning given to such term in the Employment Agreement.

“**Release Date**” means the 70th day after the Date of Termination provided that, as of the 70th day after the Date of Termination, the Release has become irrevocable and effective pursuant to its terms.

“**Release Period**” means the 70 day period commencing on the Date of Termination.

“**Resignation**” has the meaning given to such term in the Employment Agreement.

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

and these Award Terms.

“**Section 409A**” means Section 409A of the Code and the guidance and regulations promulgated thereunder.

“**Term Sheet**” means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

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

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

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

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

3. Termination of Employment; Change of Control.

(a) Termination with Cause or Resignation. In the event that Grantee’s employment is terminated by the Company for Cause or pursuant to his Resignation, as of the Date of Termination all Restricted Share Units shall be cancelled and shall cease to vest and any outstanding Restricted Share Units and Vested Shares that have yet to settle pursuant to Section 7 hereof shall immediately be forfeited to the Company without payment of consideration by the Company; provided, however, that any Restricted Share Units that had not vested at the Date of Termination solely because it had not yet been determined whether the Performance Vesting Condition had been satisfied shall vest and become Vested Shares on the Performance Vesting Condition Vesting Date if the Performance Condition is satisfied.

(b) Termination without Cause; resignation for Good Reason; Death or Disability outside of a Change of Control. In the event that Grantee’s employment is terminated by the Company without Cause or pursuant to his resignation for Good Reason or by reason of his death or Disability, in each case, prior to or following the twelve (12) month period following a Change of Control, Grantee shall vest (as of the later of (i) the Date of Termination and (ii) the Performance Vesting Condition Vesting Date) in the number of Restricted Share Units he would have vested in if he had remained employed for twenty-four (24) months following such termination and such Restricted Share Units and Vested Shares that have yet to settle as of the Date of Termination shall be settled pursuant to Section 7 hereof; provided, however, that any accelerated vesting pursuant to this Section 3(b) and the Restricted Share Units subject to such accelerated vesting shall, except in the case of Grantee’s death, (a) be subject to the execution by Grantee of an effective and irrevocable Release during the Release Period and (b) be settled on the Release Date provided that, if the Release Period begins in one taxable year and ends in the subsequent taxable year such settlement shall occur on the later of the Release Date or the first business day of such subsequent taxable year. If the Release has not become effective pursuant to its terms as of the Release Date, then Grantee shall not be entitled to such accelerated vesting, and the Company shall have no further obligation in connection therewith. Any outstanding Restricted Share Units that are not vested on the Date of Termination (after giving effect to the immediately preceding sentence) shall be immediately forfeited to the Company without payment of consideration by the Company.

(c) Termination without Cause; resignation for Good Reason; Death or Disability following a Change of Control. In the event that Grantee’s employment is terminated by the Company without Cause or pursuant to his resignation for Good Reason or by reason of his death or Disability, in each case, upon or within the twelve (12) month period following a Change of Control, Grantee shall vest (as of the later of (i) the Date of Termination and (ii) the Performance Vesting Condition Vesting Date) in the number of Restricted Share Units he would have vested in if he had remained employed for thirty-six (36) months following such termination and such Restricted Share Units and Vested Shares that have yet to settle as of the Date of Termination shall be settled pursuant to Section 7 hereof; provided, however, that any accelerated vesting pursuant to this Section 3(c) and the Restricted Share Units subject to such accelerated vesting shall, except in the case of Grantee’s death, (a) be subject to the execution by Grantee of an effective and irrevocable Release during the Release Period and (b) be settled on the Release Date provided that, if the Release Period begins in one taxable year and ends in the subsequent taxable year such settlement shall occur on the later of the Release Date or the first business day of such subsequent taxable year. If the Release has not become effective pursuant to its terms as of the Release Date, then Grantee shall not be entitled to such accelerated vesting, and the Company shall have no further obligation in connection therewith. Any outstanding Restricted Share Units that are not vested on the Date of Termination (after giving effect to the immediately preceding sentence) shall be immediately forfeited to the Company without payment of consideration by the Company.

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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. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 4, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee’s compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

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

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

7. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Restricted Share Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 15 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

9. Adjustments. Notwithstanding anything to the contrary contained herein, pursuant to Section 12 of the Plan, the Committee will make or provide for such adjustments to the Award as are equitably required

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

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

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

12. 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 outstanding Restricted Share Units or Vested Shares which have yet to settle pursuant to Section 7 hereof and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

14. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A (including the provisions for exceptions or exemption from Section 409A), and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 14 does not create an obligation on the part of the Committee or the Company to make any such modification. Each issuance or transfer of Vested Shares shall be deemed a separate payment for purposes of Section 409A.

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

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

15. Legend. 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."

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

17. 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.

18. 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.

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

20. 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.

21. 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.

22. 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.

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

AMENDED AND RESTATED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

NOTICE OF PERFORMANCE SHARE AWARD

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

Your name: **[to come]**

Total number of Performance Shares awarded: **[to come]**, representing the maximum number of Performance Shares that may become Earned Performance Shares (as such term is defined in the Award Terms)

Date of Grant: **[to come]**

Grant ID: **[to come]**

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

- this Notice of Performance Share Award;
- the Performance Share Award Terms attached hereto as Exhibit A (the "Award Terms"); and
- the Company's Amended and Restated 2008 Incentive Plan, the receipt of a copy of which you hereby acknowledge.

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

Please return the signed Notice of Performance Share Award to:

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

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

Chris B. Walther
Chief Legal Officer

Date: _____

ACCEPTED AND AGREED:

[to come]

Date: _____

EXHIBIT A

AMENDED AND RESTED ACTIVISION BLIZZARD, INC.

2008 INCENTIVE PLAN

PERFORMANCE SHARE AWARD TERMS

1. Definitions.

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

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

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

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

“**Change of Control**” has the meaning given to such term in the Employment Agreement.

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

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

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

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

“**Date of Termination**” has the meaning given to such term in the Employment Agreement.

“**Disability**” has the meaning given to such term in the Employment Agreement.

“**Earned Performance Shares**” means the number of Performance Shares ranging from 0 to the number of Performance Shares set forth on the Grant Notice earned for the applicable Performance Period based on the achievement of the applicable performance measure.

“**Employment Agreement**” means the Employment Agreement, [to come], between Grantee and the Company.

“**Employment Period**” has the meaning given to such term in the Employment Agreement.

“**Employment Violation**” means any material breach by Grantee of the Employment Agreement for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

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

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“**Good Reason**” has the meaning given to such term in the Employment Agreement.

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

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

“**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.

“**Missed TSR Performance Period**” has the meaning set forth in Section 2(b)(iii)(B).

“**Missed TSR Performance Shares**” has the meaning set forth in Section 2(b)(iii)(B).

“**Performance Period**” means each of the calendar year periods specified in Section 2(a).

“**Performance Period Measurement Date**” shall have the meaning set forth in Section 2(a).

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

“**Plan**” means the Amended and Restated Activision Blizzard, Inc. 2008 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 Performance Shares or delivery or transfer of Vested Shares during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

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

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Market Value per Share of Common Shares on the date such Vested Shares were issued or transferred to Grantee, (2) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day

period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 13 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Shares as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

"Release" has the meaning given to such term in the Employment Agreement.

"Release Date" means the 70th day after the following dates, as required by the context (i) Date of Termination or (ii) date of a Change of Control, provided that, as of such date, the Release has become irrevocable and effective pursuant to its terms.

"Release Period" means the 70 day period commencing on the (i) Date of Termination or (ii) date of a Change of Control, as applicable.

"Resignation" has the meaning given to such term in the Employment Agreement.

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"Section 409A" means Section 409A of the Code and the guidance and regulations promulgated thereunder.

"Target Operating Performance Shares" has the meaning set forth in Section 2(b)(i).

"Target Performance Shares" means 50% of the total number of Performance Shares specified on the Notice of Performance Share Award and for each Performance Period means 12.5% of the total number of Performance Shares specified in the Grant Notice.

"Target TSR Performance Shares" has the meaning set forth in Section 2(b)(iii)(A).

"Term Sheet" means the Corporate Governance Term Sheet approved by the Delaware Court of Chancery in connection with the settlement of *In re Activision, Inc. Shareholder Derivative Litigation*, C.D. Cal. Case No. CV06-4771 MRP (JTLx); *In re Activision Shareholder Derivative Litigation*, L.A.S.C. Case No. SC090343.

"Threshold Goal" shall have the meaning set forth in Section 2(c).

"Total Shareholder Return" or **"TSR"** shall refer to the compound annual total rate of return on the Company's common stock or the compound annual total rate of return of the NASDAQ Composite Index, as applicable, assuming the reinvestment of dividends (stock price appreciation assuming dividend reinvestments, with such dividend reinvestments calculated based on same-day reinvestment into the common stock on the ex-dividend date) for a specified Performance Period, based on the calculation methodology described herein. For each Performance Period, TSR will be based on the common stock price appreciation (or depreciation) between (x) a beginning calculated stock price equal to the average of the Company's closing common stock price as reported on NASDAQ for the thirty trading day period immediately prior to the commencement of the applicable Performance Period (not including the first day of the Performance Period) and (y) an ending calculated stock price equal to the average of the Company's closing common stock price as reported on NASDAQ for the thirty trading day period immediately prior to the end of the applicable Performance Period (not including the last day of the Performance Period). The NASDAQ Composite Index TSR will be determined over the same periods of time and in the same manner as set forth in the preceding sentence. All inputs of data in the calculation of TSR for the Company and the NASDAQ Composite Index will be sourced from Bloomberg L.P. (or such other comparable reporting service that the Committee may designate from time to time).

"Vested Shares" means Common Shares to which the holder of the Performance Shares becomes entitled upon vesting thereof in accordance with Section 2, 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. **Vesting.** Except as otherwise set forth in these Award Terms, the Performance Shares shall vest in accordance with the terms and conditions set forth in this Section 2. Each Performance Share, upon vesting thereof, shall entitle the holder thereof to receive one Common Share (subject to adjustment pursuant to Section 10 hereof).

(a) Performance Period; Performance Period Measuring Date. **[to come]**

(b) Target Performance Shares; Earned Performance Shares; Performance Goals. Based on the level of achievement of the relevant performance goal (as described below), on each Performance Period Measurement Date, the actual number of Earned Performance Shares relating to the applicable Performance Period will be determined. For each Performance Period, the number of Earned Performance Shares will be determined based on the Company's achievement of the following performance goals: **[to come]**

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(c) Threshold Goal. **[to come]**

(d) Committee's Authority. The determination of the level to which the performance goals have been satisfied and the number of Earned Performance Shares resulting from such satisfaction of the performance goals shall be determined in the sole discretion of the Committee and shall be final and conclusive on Grantee.

(e) Termination of the Performance Shares. Any outstanding Performance Shares that are not vested by **[to come]** shall be immediately forfeited to the Company without payment of consideration by the Company.

3. Termination of Employment.

(a) Termination for Cause or Resignation. In the event that Grantee's employment is terminated by the Company for Cause or pursuant to his Resignation, as of the Date of Termination all Performance Shares relating to any Performance Period that includes or follows the Date of Termination shall cease to vest and shall immediately be forfeited to the Company without payment of consideration by the Company. If Grantee's Date of Termination occurs on or between January 2, [to come] and the date on which the Threshold Goal has been certified as being achieved, Grantee shall be eligible to vest in the Performance Shares relating to the Performance Period from January 1, [to come] through December 31, [to come] on the Performance Measurement Vesting Date of March 31, [to come], to the extent that the Company's relevant performance goals are achieved (as determined in accordance with these Award Terms) and provided that the Threshold Goal is achieved.

(b) Termination without Cause; resignation for Good Reason; Death or Disability. In the event that Grantee's employment is terminated by the Company without Cause, pursuant to his resignation for Good Reason, or as a result of his death or Disability, Grantee shall vest in a number of Performance Shares equal to the number of Earned Performance Shares he would have vested in if he had remained employed through the end of the applicable Performance Period(s) during which the Date of Termination occurs, as determined on the applicable Performance Measurement Date. Such Earned Performance Shares, and any Vested Shares that have yet to settle as of the Date of Termination, shall be settled pursuant to Section 8 hereof; provided, however, that any accelerated vesting pursuant to this Section 3(b) and the Earned Performance Shares subject to such accelerated vesting shall, except in the case of death, (i) be subject to the execution by Grantee of an effective and irrevocable Release during the Release Period and (ii) be settled on the Release Date provided that, if the Release Period begins in one taxable year and ends in the subsequent taxable year such settlement shall occur on the later of the Release Date or the first business day of such subsequent taxable year. If the Release has not become effective pursuant to its terms as of the Release Date, then Grantee shall not be entitled to such accelerated vesting, and the Company shall have no further obligations in connection therewith. Any outstanding Performance Shares that are not vested on the applicable Performance Measurement Date(s) (after giving effect to the immediately preceding sentence) and any Performance Shares for which the Performance Period had not yet commenced as of the Date of Termination shall be immediately forfeited to the Company without payment of consideration by the Company.

4. Change of Control. In the event of a Change of Control during Grantee's Employment Period, Grantee shall vest in the number of Target Performance Shares applicable to each Performance Period in which the date of the Change of Control occurs (without regard to the achievement of any level of performance goals except as set forth in clause (ii) of this sentence) on the later of (i) the date of the Change of Control and (ii) the date that the Threshold Goal is certified as being achieved, and such Target Performance Shares shall be deemed Earned Performance Shares and shall be settled pursuant to Section 8 hereof; provided, however, that any accelerated vesting pursuant to this Section 4 and the Target Performance Shares subject to such accelerated vesting (x) shall be subject to the execution by Grantee of an effective and irrevocable Release during the 70 days following the Change of Control and (y) shall be settled on the Release Date provided that, if the Release Period begins in one taxable year and ends in the subsequent taxable year such settlement shall occur on the later of the Release Date or the first business day of such subsequent taxable year. If the Release has not become effective pursuant to its terms as of the Release Date, then Grantee shall not be entitled to such accelerated vesting, and the Company shall have no further obligations in connection therewith. Any outstanding Performance Shares that are not vested (after giving effect to the immediately preceding sentence) on the date of the Change of Control, or, if later, the date that the Threshold Goal is certified as being achieved, and any Performance Shares for which the Performance Period had not yet

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commenced as of Change of Control shall be immediately 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 vesting of any Performance Shares, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. The Company shall determine the method or methods Grantee may use to satisfy any Withholding Taxes contemplated by this Section 5, which may include any of the following: (a) by delivery to the Company of a bank check or certified check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in a form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) by 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. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Performance Shares such number of Common Shares as shall be required for issuance or delivery upon vesting thereof.

7. Dividend Equivalents. In the event that any cash dividends are declared and paid on Common Shares to which the holder of the Earned Shares would have been entitled to if they had been vested on the date of such declaration, such dividends shall be paid (without interest) following the date that the related Earned Performance Shares are settled pursuant to Section 8; provided, however, that no such dividend equivalents shall be paid if the Performance Shares have been forfeited to the Company in accordance with Section 2, 3 or 4 hereof prior to payment thereof. Notwithstanding the foregoing, in no event shall any such dividend equivalents be paid later than the 45th day following the year in which the related Performance Shares vest. For purposes of the time and form of payment requirements of Section 409A, such dividend equivalents shall be treated separately from the Performance Shares.

8. Receipt and Delivery. As soon as administratively practicable (and, in any event, within 30 days) after any Performance Measurement Date, 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 16 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

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

the terms of the Award (i) in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 10 hereof) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, (ii) in response to changes in applicable laws, regulations or accounting principles and interpretations thereof, or (iii) to prevent the Award from becoming subject to any adverse consequences under Section 409A.

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

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

12. Transferability. Except as otherwise permitted under the Plan or this Section 12, the Performance Shares shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Company's consent, Grantee may transfer Performance Shares for estate planning purposes or pursuant to a domestic relations order; provided, however, that any transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer; and provided, further that Grantee will remain bound by the terms and conditions of the Plan, the Grant Notice and these Award Terms.

13. 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 outstanding Performance Shares or Vested Shares which have yet to settle pursuant to Section 8 hereof 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 Performance 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.

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14. Compliance with Applicable Laws and Regulations and Company Policies and Procedures.

(a) Grantee is responsible for complying with (a) any federal, state and local taxation laws applicable to Grantee in connection with the Award, (b) any federal and state securities laws applicable to Grantee in connection with the Award, (c) 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, (d) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (e) any policy or procedure the Company maintains or may adopt with respect to the trading of its securities.

(b) The Award is subject to the terms and conditions of the Term Sheet, and any Company policies or procedures adopted in connection with the Company's implementation of the Term Sheet, including, without limitation, any policy requiring or permitting the Company to recover any gains realized by Grantee in connection with the Award.

15. Section 409A.

(a) Payments contemplated with respect to the Award are intended to comply with Section 409A (including the provisions for exceptions or exemption from Section 409A), and all provisions of the Plan, the Grant Notice and these Award Terms shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, (i) nothing in the Plan, the Grant Notice and these Award Terms shall guarantee that the Award is not subject to taxes or penalties under Section 409A and (ii) if any provision of the Plan, the Grant Notice or these Award Terms would, in the reasonable, good faith judgment of the Company, result or likely result in the imposition on Grantee or any other person of taxes, interest or penalties under Section 409A, the Committee may, in its sole discretion, modify the terms of the Plan, the Grant Notice or these Award Terms, without the consent of Grantee, in the manner that the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such taxes, interest or penalties; provided, however, that this Section 15 does not create an obligation on the part of the Committee or the Company to make any such modification. Each issuance or transfer of Vested Shares shall be deemed a separate payment for purposes of Section 409A.

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

(c) Notwithstanding anything to the contrary contained herein, if the Committee determines in good faith that the Performance Shares do not qualify for the "short-term deferral exception" under Section 409A, (i) (x) if Grantee is a "specified employee" (as defined in Section 409A) and (y) a delay in the issuance or transfer of Vested Shares to Grantee or his or her estate or beneficiaries hereunder by reason of Grantee's "separation from service" (as defined in Section 409A) with the Company or any of its subsidiaries or affiliates is required to avoid tax penalties under Section 409A but is not already provided for by this Award, the Company shall cause the issuance or transfer of such Vested Shares to Grantee or Grantee's estate or beneficiary upon the earlier of (A) the date that is the first business day following the date that is six months after the date of Grantee's separation from service or (B) Grantee's death and (ii) for purposes of Section 4 hereof, a Change of Control shall not have occurred unless such Change of Control is a "change in the ownership or effective control" or a "change in the ownership of a substantial portion of the assets" of the Company, in each case, as determined in accordance with Section 409A, and, if a Change of Control has not occurred as a result of the application of this clause (ii) of this Section 15(b), the issuance or transfer of any Vested Shares shall occur on the date of Grantee's separation from service as determined in accordance with Section 409A.

16. Legend. 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:

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"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."

17. 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.

18. No Rights as Stockholder. No holder of Performance Shares 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.

19. 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.

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

21. 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.

22. 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.

23. 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.

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

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CERTIFICATION

I, Robert A. Kotick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, at the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2012

/s/ ROBERT A. KOTICK
Robert A. Kotick
Chief Executive Officer of
Activision Blizzard, Inc.

CERTIFICATION

I, Dennis Durkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Activision Blizzard, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, at the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2012

/s/ DENNIS DURKIN
Dennis Durkin
*Chief Financial Officer and
Principal Financial Officer of
Activision Blizzard, Inc.*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Kotick, President and Chief Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2012

/s/ ROBERT A. KOTICK

Robert A. Kotick
*Chief Executive Officer of
Activision Blizzard, Inc.*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Activision Blizzard, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis Durkin, Chief Financial Officer and Principal Financial Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2012

/s/ DENNIS DURKIN

Dennis Durkin

Chief Financial Officer and

Principal Financial Officer of Activision Blizzard, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
