

ACTIVISION INC /NY
Form PRER14A
June 03, 2008

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 2)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ACTIVISION, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
Vivendi Games, Inc. common stock, par value \$0.01 per share
-
- (2) Aggregate number of securities to which transaction applies:
800 shares of Vivendi Games, Inc. common stock
-
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
\$1,961,635,000, calculated pursuant to Rule 0-11(c)(1)(i) and Rule 0-11(a)(4) of the Securities Exchange Act of 1934, as amended, which represents (i) the book value of Vivendi Games (the securities of which will be received by Activision in the business combination) and (ii) \$1,731,000,000 received for the issuance and sale of 62.9 million shares of Activision common stock.

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(4) Proposed maximum aggregate value of transaction:
\$1,961,635,000, calculated pursuant to Rule 0-11(c)(1)(i) and Rule 0-11(a)(4) of the Securities Exchange Act of 1934, as amended.

(5) Total fee paid:
\$77,092.26

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**PRELIMINARY PROXY STATEMENT
SUBJECT TO COMPLETION**

**3100 Ocean Park Boulevard
Santa Monica, California 90405**

, 2008

Dear Stockholder:

On behalf of our board of directors, we are pleased to deliver to you our proxy statement relating to the proposed combination of Activision and Vivendi Games, Inc., the interactive entertainment business of Vivendi S.A. We believe that Vivendi Games' portfolio of leading franchises, including Blizzard Entertainment, Inc.'s *World of Warcraft*®, will facilitate Activision's expansion into the higher operating margin and fast growing massively multiplayer online games genre and will provide scale benefits to our international business, including establishing a meaningful presence in the rapidly growing Asian markets, which we have identified as top strategic priorities.

In this transaction:

Merger of Vivendi Games. Activision and Vivendi Games will combine their businesses through the merger of a newly formed, wholly-owned subsidiary of Activision with and into Vivendi Games. As a result of the merger, Vivendi Games, the parent company of Blizzard Entertainment, Inc. and Sierra Entertainment, Inc., will become a wholly-owned subsidiary of Activision. VGAC LLC, a subsidiary of Vivendi and the sole stockholder of Vivendi Games, will receive approximately 295.3 million newly issued shares of Activision common stock in the merger, which number is based upon a valuation of Vivendi Games at \$8.121 billion and a per share price for Activision common stock of \$27.50.

Share Purchase by Vivendi. Simultaneously with the merger, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock, at \$27.50 per share, for an aggregate purchase price of approximately \$1.731 billion. Immediately following completion of the merger and share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

Post-Closing Corporate Governance. Upon the closing of the transaction, Activision's certificate of incorporation and bylaws will be amended and restated to provide for, among other things, (a) the change of the combined company's name, (b) the change of the combined company's fiscal year end to December 31, (c) an increase in the authorized number of shares of Activision common stock, (d) certain majority and minority stockholder protections, and (e) certain changes to the structure of the board of the combined company. As a result of these amendments, among other things, Vivendi will be entitled to appoint a majority of the combined company's board of directors.

After the closing of the transaction, the combined company will commence a cash tender offer for up to 146.5 million of its shares (representing approximately 50% of the shares of Activision common stock outstanding immediately prior to the transaction) at \$27.50 per share. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

Upon closing of the transaction, the combined company will be renamed *Activision Blizzard, Inc.* and its common stock will be traded on The NASDAQ Global Select Market under Activision's current ticker "ATVI."

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Our board of directors has approved the transaction after careful deliberation. We will hold a special meeting of stockholders at _____, on _____, _____, 2008 at _____, local time, to obtain the approval of Activision stockholders for: (a) the issuance of shares of Activision common stock to VGAC in connection with the merger and to Vivendi in connection with the share purchase; (b) the amendment and restatement of our certificate of incorporation; (c) the amendment of Section 7.4(a) of our bylaws; and (d) any motion to adjourn or postpone the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies.

Our board of directors unanimously recommends that you vote "FOR" each of the proposals and subproposals described in this proxy statement. We cannot complete the transaction unless the proposals for the issuance and sale of the shares of Activision common stock in the merger and share purchase, the amendment and restatement of our certificate of incorporation, and the amendment of Section 7.4(a) of our bylaws are approved. Accordingly, a vote against any of the aforementioned proposals and any related subproposals effectively will be a vote against the transaction. The approval of the motion to adjourn or postpone the special meeting is not required to complete the transaction. If the transaction is not completed for any reason, the amendment and restatement of our certificate of incorporation (other than the amendment to increase the number of authorized shares), and the amendment of Section 7.4(a) of our bylaws, even if approved by stockholders at the special meeting, will be abandoned and will not become effective.

We encourage you to carefully review this proxy statement, which contains important information concerning Activision and Vivendi Games, the proposed transaction and the proposals to be voted upon by stockholders at the special meeting. In addition, the section entitled "Risk Factors" of this proxy statement contains a description of risks that you should consider in evaluating the proposals, subproposals and the proposed transaction.

YOUR VOTE IS IMPORTANT. ACCORDINGLY, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE URGED TO PROMPTLY VOTE YOUR SHARES BY PROXY. YOU MAY VOTE ELECTRONICALLY USING THE WEBSITE ADDRESS OR BY TELEPHONE USING THE NUMBER INCLUDED ON THE ACCOMPANYING PROXY CARD. YOU MAY ALSO VOTE BY MAIL. IF YOU CHOOSE TO VOTE BY MAIL, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY CARD AS SOON AS POSSIBLE. NO POSTAGE IS REQUIRED IF THE PROXY CARD IS MAILED WITHIN THE UNITED STATES IN THE ENVELOPE PROVIDED. STOCKHOLDERS WHO ARE PRESENT AT THE SPECIAL MEETING MAY WITHDRAW THEIR PROXY AND VOTE IN PERSON IF THEY SO DESIRE. IT IS IMPORTANT THAT YOU PROVIDE YOUR PROXY PROMPTLY SO THAT ACTIVISION CAN AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION.

We are very excited about this transaction and believe it will better position Activision to capitalize on the continued worldwide growth in interactive entertainment. Thank you for your support.

Robert A. Kotick
Chairman and Chief Executive Officer

Brian G. Kelly
Co-Chairman

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of the proposed issuance of shares of Activision common stock in connection with the transaction described in this proxy statement or determined if this proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement is dated _____, 2008 and is first being mailed to stockholders on or about _____, 2008.

ADDITIONAL INFORMATION

If you have any questions about the transaction or the special meeting or if you need to obtain copies of this proxy statement, proxy cards, election forms or other documents referenced in this proxy statement, you may contact Morrow & Co., LLC or Innisfree M&A Incorporated, Activision's proxy solicitors, at the addresses and telephone numbers listed below. You will not be charged for any of the documents you request.

Morrow & Co., LLC
470 West Avenue
Stamford, CT 06902

Individuals in the U.S. and Canada please call toll-free:
(800) 573-4804

Banks and brokerage firms please call:
(203) 658-9400

International holders please call:
(203) 658-9400 (collect)

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022

Individuals in the U.S. and Canada please call
toll-free: (877) 456-3422

Banks and brokerage firms please call:
(212) 750-5833

International holders please call:
(412) 232-3651 (collect)

In order to receive timely delivery of the documents in advance of the special meeting, you must make your request for information no later than , 2008.

You may obtain copies of our public filings with the Securities and Exchange Commission, or SEC, without charge by following the instructions in the section entitled "Where You Can Find More Information" of this proxy statement.

3100 Ocean Park Boulevard
Santa Monica, California 90405

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD , 2008**

To the Stockholders of Activision, Inc.:

A special meeting of stockholders of Activision, Inc. will be held at _____, on _____, _____, 2008 at _____, local time to consider and vote on the following proposals:

Proposal No. 1: To approve the issuance of an aggregate of approximately 358.2 million new shares of Activision common stock, par value \$0.000001 per share, to VGAC LLC and Vivendi S.A., in connection with (a) the merger of a wholly-owned subsidiary of Activision with and into Vivendi Games, Inc., and (b) the purchase of shares of Activision common stock by Vivendi, in each case, in accordance with the business combination agreement, dated as of December 1, 2007, by and among Activision, Sego Merger Corporation, Vivendi, VGAC, and Vivendi Games, a copy of which is attached as Annex A to the proxy statement accompanying this notice;

Proposal No. 2: To approve the amendment and restatement of Activision's amended and restated certificate of incorporation in the form attached as Annex B, subject to completion of the transaction, consisting of the following subproposals:

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

2B a proposal to increase the number of authorized shares of capital stock from four hundred fifty-five million (455,000,000) to one billion two hundred five million (1,205,000,000);

2C a proposal to eliminate the Series A Junior Preferred Stock;

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

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

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

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

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

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

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

2K a proposal to establish procedures governing affiliate transactions; and

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

Proposal No. 3: To approve the amendment of Section 7.4(a) of Activision's third amended and restated bylaws to restrict the amendment of additional sections of the bylaws without stockholder approval, as described in more detail in the proxy statement accompanying this notice, subject to the completion of the transaction; and

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

Each of the proposals is described more fully in the proxy statement accompanying this notice.

The board of directors of Activision has fixed the close of business on _____, 2008 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the special meeting. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

The board of directors of Activision unanimously recommends that you vote "FOR" each of the above proposals and subproposals. The approval of each of the listed proposals (other than Proposal No. 4) and subproposals is a condition to the completion of the transaction. Therefore, if Activision stockholders wish to approve the transaction, they must approve all of these proposals and subproposals.

STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON.

YOUR VOTE IS IMPORTANT. ACCORDINGLY, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE URGED TO PROMPTLY VOTE YOUR SHARES BY PROXY. YOU MAY VOTE ELECTRONICALLY USING THE WEBSITE ADDRESS OR BY TELEPHONE USING THE NUMBER INCLUDED ON THE ACCOMPANYING PROXY CARD. YOU MAY ALSO VOTE BY MAIL. IF YOU CHOOSE TO VOTE BY MAIL, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY CARD AS SOON AS POSSIBLE. NO POSTAGE IS REQUIRED IF THE PROXY CARD IS MAILED FROM WITHIN THE UNITED STATES IN THE ENVELOPE PROVIDED. STOCKHOLDERS WHO ARE PRESENT AT THE SPECIAL MEETING MAY WITHDRAW THEIR PROXY AND VOTE IN PERSON IF THEY SO DESIRE. IT IS IMPORTANT THAT YOU PROVIDE YOUR PROXY PROMPTLY SO THAT ACTIVISION CAN AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION.

By order of the Board of Directors,

George L. Rose
Secretary

_____, 2008
Santa Monica, California

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Annexes

Annex A	Business Combination Agreement
Annex B	Form of Amended and Restated Certificate of Incorporation of Activision, Inc.
Annex C	Form of Amended and Restated Bylaws of Activision Blizzard, Inc.
Annex D	Opinion of Allen & Company LLC
Annex E	Kotick Voting and Lock-Up Agreement
Annex F	Kelly Voting and Lock-Up Agreement
Annex G	Credit Agreement

CERTAIN FREQUENTLY USED TERMS

Unless otherwise specified or if the context so requires:

"Activision" or "we" refers to Activision, Inc.;

"Activision Blizzard" refers to the combined company following the completion of the transaction, which will be re-named "Activision Blizzard, Inc." and will be the parent of both Activision's and Vivendi Games' businesses;

"Blizzard" or "Blizzard Entertainment" refers to Blizzard Entertainment, Inc., a wholly-owned indirect subsidiary of Vivendi and VGAC and a direct wholly-owned subsidiary of Vivendi Games;

"Blizzard equity plan" refers to the Blizzard 2006 Equity Incentive Plan, as amended;

"business combination agreement" refers to the Business Combination Agreement, dated as of December 1, 2007, by and among Activision, Merger Sub, Vivendi, VGAC and Vivendi Games, a copy of which is attached as Annex A to this proxy statement;

"closing date" refers to the date on which the transaction is consummated;

"Merger Sub" refers to Sego Merger Corporation, a newly formed, wholly-owned direct subsidiary of Activision;

"MMOG" refers to massively multiplayer online games;

"MMORPG" refers to massively multiplayer online role-playing games;

"new credit facilities" refers to the debt agreements which may be entered into by Activision prior to the closing date in accordance with the business combination agreement with either (1) banks or other financial institutions or (2) Vivendi or one or more of Vivendi's affiliates, on market terms in an arm's-length transaction;

"post-closing bylaws" refers to the amended and restated bylaws of the combined company immediately following the consummation of the transaction, which includes the amendment contemplated by the bylaw amendment proposal and certain other amendments contemplated in the business combination agreement to be adopted by the board of directors at closing, a form of which is attached as Annex C to this proxy statement;

"post-closing certificate of incorporation" refers to the amended and restated certificate of incorporation of the combined company immediately following the consummation of the transaction, which includes the amendments contemplated in the charter amendment proposals, a form of which is attached as Annex B to this proxy statement;

"Sierra" refers to Sierra Entertainment, Inc., a wholly-owned indirect subsidiary of Vivendi and VGAC and a direct wholly-owned subsidiary of Vivendi Games;

"Sierra Online" refers to Sierra Online, a division of Vivendi Games focused on short-and mid-session casual games;

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"Termination Event" refers to the Vivendi Voting Interest falling and remaining below 10% for ninety (90) consecutive days;

"transaction" refers to the combination of the respective businesses of Activision and Vivendi Games pursuant to the merger and the share purchase by Vivendi contemplated by the business combination agreement;

"Triggering Event" refers to the Vivendi Voting Interest falling and remaining below 50% for ninety (90) consecutive days;

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"VGAC" refers to VGAC LLC, a wholly-owned indirect subsidiary of Vivendi and the sole stockholder of Vivendi Games;

"VHIC" refers to Vivendi Holding I Corp., a wholly-owned indirect subsidiary of Vivendi;

"Vivendi" refers to Vivendi S.A., a *société anonyme* organized under the laws of France, the stock of which is traded on Euronext Paris;

"Vivendi Games" refers to Vivendi Games, Inc., a wholly-owned indirect subsidiary of Vivendi and a wholly-owned direct subsidiary of VGAC;

"Vivendi Games Mobile" refers to Vivendi Games Mobile, a division of Vivendi Games focused on developing and distributing games playable on mobile phone handsets; and

"Vivendi Voting Interest" refers to the percentage of outstanding Activision Blizzard common stock owned of record by Vivendi and its controlled affiliates.

QUESTIONS AND ANSWERS

QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

Q1: What is the transaction?

A1: Activision and Vivendi are proposing to combine Vivendi Games, Vivendi's interactive entertainment business, with Activision's businesses. The transaction is summarized in the section entitled "Summary The Transaction" and is described more fully therein.

In the transaction:

Merger of Vivendi Games. Activision and Vivendi Games will combine their businesses through the merger of a newly formed, wholly-owned subsidiary of Activision with and into Vivendi Games. As a result of the merger, Vivendi Games, the parent company of Blizzard Entertainment and Sierra, will become a wholly-owned subsidiary of Activision. VGAC will receive approximately 295.3 million newly issued shares of Activision common stock in the merger, which number is based upon a valuation of Vivendi Games at \$8.121 billion and a per share price for Activision common stock of \$27.50.

Share Purchase by Vivendi. Simultaneously with the merger, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock, at \$27.50 per share, for an aggregate purchase price of approximately \$1.731 billion. Immediately following completion of the merger and share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

Post-Closing Corporate Governance. Upon the closing of the transaction, Activision's certificate of incorporation and bylaws will be amended and restated to provide for, among other things, (a) the change of the company's name, (b) the change of the combined company's fiscal year end to December 31, (c) an increase in the authorized number of shares of Activision common stock, (d) certain majority and minority stockholder protections, and (e) certain changes to the structure of the board. As a result of these amendments, among other things, Vivendi will be entitled to appoint a majority of the combined company's board of directors.

After the closing of the transaction, the combined company will commence a cash tender offer for up to 146.5 million of its shares (representing approximately 50% of the shares of Activision common stock outstanding immediately prior to the transaction) at \$27.50 per share. If the tender offer is fully

subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

For additional information regarding the transaction, see the section below entitled "The Transaction."

Q2: What happens to my Activision common stock as a result of the transaction?

A2: If the transaction is completed, your shares of Activision common stock will continue to remain outstanding, and no physical change will occur. Upon closing of the transaction, your shares of Activision common stock will represent an ownership interest in Activision Blizzard, the combined company, parent of both Activision's and Vivendi Games' businesses. You will not be required to sell or exchange your shares of Activision common stock in the transaction.

Q3: What symbol will the shares of the combined company's common stock trade under after completion of the transaction?

A3: Upon closing of the transaction, shares of common stock of the combined company, which will be renamed "Activision Blizzard, Inc.," will be traded on The NASDAQ Global Select Market, which is referred to in this proxy statement as "NASDAQ," under Activision's current ticker symbol "ATVI."

Q4: What percentage of Activision Blizzard will Activision's current stockholders own after completion of the transaction and the tender offer?

A4: Immediately upon closing of the transaction, our current stockholders will own approximately 47.8% of the issued and outstanding shares of common stock of Activision Blizzard on a fully diluted basis. If the post-closing tender offer is fully subscribed, our current stockholders are expected to own approximately 32.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis upon closing of the tender offer.

Q5: Will any of the cash proceeds received by Activision in connection with the transaction be distributed to Activision's stockholders?

A5: No. We will not distribute any of the cash or other consideration that we receive in connection with the transaction to our stockholders. After the closing of the transaction, however, the combined company will commence a cash tender offer for up to 146.5 million of the issued and outstanding shares of its common stock at a price of \$27.50 per share. You will be given the opportunity to tender some or all of your Activision shares in the tender offer, subject to proration if the tender offer is oversubscribed. For more information about the tender offer see the section entitled "The Business Combination Agreement The Tender Offer."

Q6: Will Activision or its stockholders acquire any ownership interest in Vivendi as a result of the transaction?

A6: No. Neither Activision nor its stockholders will acquire any ownership interest in Vivendi as a result of the transaction. Upon completion of the transaction, Vivendi Games will become a wholly-owned subsidiary of Activision.

Q7: Are there any risks related to the transaction?

A7: Yes. The transaction may not achieve the expected benefits because of the risks and uncertainties discussed in the section entitled "Risk Factors" of this proxy statement, which we urge you to read and consider carefully. Our board of directors considered a variety of potential risks in its deliberations concerning the transaction, including, without limitation:

After completion of the transaction, the combined company may not successfully

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integrate the operations of Activision and Vivendi Games in a timely manner, or at all, and the combined company may not realize the anticipated benefits or synergies of the transaction to the extent, or in the timeframe, anticipated;

As a result of the transaction and the tender offer, Vivendi will own between 52.2% and 68.0% of the combined company's common stock on a fully diluted basis, and will have the ability to determine the outcome of matters submitted to Activision Blizzard stockholders;

The transaction would make it difficult for another party to acquire Activision Blizzard or otherwise effect a change of control unless Vivendi supported such a transaction;

After the transaction, Vivendi will have the ability, subject to certain limitations, to sell its shares of Activision Blizzard common stock, which could adversely affect the combined company's stock price; and

If the amendment to our certificate of incorporation is approved, we will be able to issue more shares of common stock than currently authorized, which could have a dilutive effect on earnings per share and the voting power of Activision Blizzard stockholders.

Q8: When does Activision expect to complete the transaction?

A8: If Activision's stockholders approve each of the proposals and subproposals set forth in this proxy statement, we will complete the transaction when all of the other conditions set forth in the business combination agreement have been satisfied or waived. We are working toward satisfying these conditions and completing the transaction as quickly as possible. We currently anticipate completing the transaction in July 2008. Because the transaction is subject to a number of other conditions, some of which are beyond our control, the exact timing cannot be predicted.

Q9: What are the United States Federal income tax consequences to the Activision stockholders of the transaction?

A9: Activision stockholders will not recognize any gain or loss for United States federal income tax purposes as a result of (a) the consummation of the transaction or (b) the adoption of the proposed amendments to Activision's certificate of incorporation. For more information about the United States federal income tax consequences, see the section entitled "The Transaction Material United States Federal Income Tax Consequences" of this proxy statement.

Q10: Do I have appraisal or dissenters' rights?

A10: No. You will not be entitled to exercise any appraisal or dissenters' rights in connection with the transaction.

QUESTIONS AND ANSWERS ABOUT THE TENDER OFFER

Q11: What is the tender offer?

A11: Under the terms of the business combination agreement, after the closing of the transaction, the combined company has agreed to commence a self tender offer to repurchase up to 146.5 million shares of its common stock (representing approximately 50% of the shares of Activision common stock outstanding immediately prior to the transaction) at a purchase price of \$27.50 per share.

The tender offer will offer liquidity to Activision Blizzard stockholders at \$27.50 per share, regardless of the then-current market price per share, subject to proration if the tender offer is oversubscribed, and will allow Vivendi and any other non-tendering stockholders to increase their respective percentage ownership of Activision Blizzard. Activision Blizzard stockholders will not be diluted by the tender offer except to the extent Vivendi purchases additional shares of Activision Blizzard as it is required to

do if the aggregate tender offer consideration exceeds \$2.928 billion. Activision Blizzard stockholders are not required to participate in the tender offer. The commencement of the tender offer will not prohibit Activision Blizzard stockholders, including directors, officers, and employees of Activision Blizzard, from selling shares of Activision Blizzard common stock in open market transactions or otherwise, including during the period of the tender offer.

If the maximum number of shares are tendered, the aggregate purchase price for the shares of common stock of Activision Blizzard purchased in the tender offer will be approximately \$4.028 billion.

For a more detailed discussion of the tender offer, see the section entitled "The Business Combination Agreement The Tender Offer."

Q12: Who can participate in the tender offer?

A12: Only stockholders as of the record date may participate in the tender offer. Vivendi has agreed that neither it nor any of its subsidiaries will tender any of their respective shares in the tender offer. Further, Messrs. Robert A. Kotick, Activision's Chairman and Chief Executive Officer, and Brian G. Kelly, Activision's Co-Chairman, have agreed not to tender or otherwise sell more than one third ($\frac{1}{3}$) of their shares of common stock and other equity securities of Activision Blizzard.

Q13: How do I tender my shares of Activision common stock in the tender offer?

A13: The procedure for tendering your shares of Activision common stock (which will represent an interest in the combined company, Activision Blizzard, after closing of the transaction) in the tender offer and other important information relating to the tender offer will be addressed in an offer to purchase and related materials that we intend to file with the SEC after the closing of the transaction. These materials will also be mailed to you as a stockholder and will be available free of charge at the SEC's website at <http://www.sec.gov>, or from the information agent to be named in the tender offer materials.

Q14: When does Activision expect to commence and complete the tender offer?

A14: We expect to commence the tender offer within five (5) business days after the closing of the transaction, which we expect to occur in July 2008, and to complete the tender offer approximately twenty (20) business days after commencement. The time period for completing the tender offer may be extended under certain circumstances described more fully in the section entitled "The Business Combination Agreement The Tender Offer."

Q15: Can Activision Blizzard decrease the price per share of the tender offer?

A15: No. The price per share in the tender offer will be \$27.50 per share, regardless of the trading price of shares of Activision Blizzard common stock at the time of the commencement of the tender offer.

Q16: Will Activision Blizzard buy all shares that are tendered?

A16: The tender offer will not be subject to any minimum condition on the number of shares tendered. As a result, subject to the other conditions of the tender offer being satisfied and the proration described in the following sentence, Activision Blizzard will purchase any and all shares that are tendered, even if the total number of shares tendered by all of our stockholders is less than 146.5 million shares. If the total number of shares of Activision Blizzard common stock tendered is more than 146.5 million shares, Activision Blizzard will purchase the shares pro rata, which means that each stockholder who accepts the offer will have only a

portion of such stockholder's shares bought by Activision Blizzard so that Activision Blizzard purchases not more than the maximum of 146.5 million shares.

Q17: How will Activision Blizzard fund the purchase of shares that are tendered?

A17: Under the terms of the business combination agreement, Activision and Vivendi have agreed the purchase of the shares tendered in the tender offer will be funded as follows:

the first \$2.928 billion of the aggregate consideration will be funded by Activision Blizzard with proceeds from the share purchase described above, available cash on hand and, if necessary, borrowings made under the new credit facilities issued by Vivendi;

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if the aggregate consideration is more than \$2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of \$27.50 per share, additional newly issued shares of Activision Blizzard common stock in an amount equal to the lesser of (a) \$700 million and (b) the excess of the aggregate consideration over \$2.928 billion, which amount will be used to fund the amount of the aggregate consideration that is in excess of \$2.928 billion; and

if the aggregate consideration exceeds \$3.628 billion, Activision will fund the additional amount of the aggregate consideration that is in excess of \$3.628 billion (up to the maximum aggregate consideration of \$4.028 billion) through borrowings made under the new credit facilities issued by Vivendi. See "The Transaction - New Credit Facilities."

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

Q18: Why am I receiving this proxy statement?

A18: You are receiving this proxy statement because you have been identified as a stockholder of Activision and, as an Activision stockholder, you are entitled to vote at the special meeting to approve the matters below in order for us to complete the transaction. This proxy statement contains important information about the business combination agreement, the transaction, the tender offer, the special meeting and other related matters. You should read this proxy statement, including all of the annexes, carefully and in their entirety.

Q19: What matters will be voted on at the special meeting?

A19: At the special meeting, you will be asked to consider and vote on the following proposals:

Proposal No. 1: To approve the issuance of an aggregate of approximately 358.2 million new shares of Activision common stock in connection with the transaction. This proposal is referred to in this proxy statement as the "*share issuance proposal*."

Proposal No. 2: To approve the amendment and restatement of our amended and restated certificate of incorporation (including all related subproposals), subject to the completion of the transaction. This proposal is referred to in this proxy statement as the "*charter amendment proposal*."

Proposal No. 3: To approve the amendment of Section 7.4(a) of our third amended and restated bylaws, subject to the completion of the transaction. This proposal is referred to in this proxy statement as the "*bylaw amendment proposal*."

Proposal No. 4: To approve any motion to adjourn or postpone the special meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposals set forth above. This proposal is referred to in this proxy statement as the "*adjournment proposal*."

You may also be asked to act on other business, if any, that may properly come before the special meeting (or any adjournment or postponement thereof). We currently do not anticipate that any other business will be presented at the special meeting.

Q20: What vote is required to approve each proposal?

A20: The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote is required to approve the charter amendment proposal and the bylaw amendment proposal.

The affirmative vote of a majority of the votes cast affirmatively or negatively is required to approve the share issuance proposal and the adjournment proposal.

Q21: How does the Activision board of directors recommend that I vote on each of the proposals?

A21: After careful consideration, our board of directors *unanimously* recommends that you vote:

"**FOR**" Proposal No. 1 the issuance of shares of our common stock in connection with the transaction;

"**FOR**" Proposal No. 2 the amendment and restatement of our amended and restated certificate of incorporation (including all related subproposals);

"**FOR**" Proposal No. 3 the amendment of Section 7.4(a) of our third amended and restated bylaws; and

"**FOR**" Proposal No. 4 adjournment of the special meeting, if necessary.

For a more complete description of the recommendations of our board of directors as well as the reasons underlying the recommendations, see the sections entitled "The Transaction Activision's Reasons for the Transaction and Tender Offer" and "Summary Recommendations of the Board of Directors of Activision."

Q22: When and where will the special meeting of Activision stockholders be held?

A22: Unless adjourned or postponed, the special meeting will be held at _____ at _____, local time, on _____, _____, 2008. Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at _____, local time.

Q23: Who is entitled to attend and vote at the special meeting?

A23: You are entitled to receive notice of, and vote at, the special meeting (and any adjournment or postponement thereof) only if you were a stockholder of Activision at the close of business on _____, 2008, the record date for the special meeting.

On the record date, there were _____ shares of Activision common stock issued and outstanding and entitled to vote. Each share of Activision common stock outstanding on the record date will be entitled to one (1) vote on each matter presented for action at the special meeting.

Q24: What constitutes a quorum?

A24: Stockholders who hold a majority of all of the shares of capital stock

of Activision entitled to vote at the special meeting must be present in person or represented by proxy in order to constitute a quorum to conduct business. Abstentions and broker non-votes will be included for purposes of determining whether a quorum is present at the special meeting.

Q25: What is a broker non-vote?

A25: A broker non-vote occurs when a broker, bank or other nominee record holder holding shares for you does not vote on a particular proposal because the broker, bank or other nominee record holder does not have discretionary voting power with respect to that proposal under the rules applicable to broker-dealers and has not received voting instructions from you.

Q26: How do I vote?

A26: You are being asked to vote both any shares held directly in your name as a stockholder of record and any shares you hold in "street name" as a beneficial owner. Shares held in "street name" are shares held in a stock brokerage account or shares held by a bank, broker or other nominee record holder.

If you hold your shares directly as a record holder, you may vote prior to the special meeting by:

calling the number shown on your proxy card;

visiting the website shown on your proxy card to vote via the Internet; and

completing, dating, signing and returning your proxy card in the enclosed postage-prepaid return envelope.

You may also cast your vote in person at the special meeting.

If your shares are held in "street name" by a bank, broker or other nominee record holder, your bank, broker or other nominee record holder will send you separate instructions describing the procedure for voting your shares.

"Street-name" stockholders who wish to vote in person at the special meeting will need to obtain a proxy from the bank, broker or other nominee record holder that holds their shares.

Q27: May I change my vote after I have delivered my proxy or voting instruction card?

A27: Yes. If you hold your shares in your name as an Activision stockholder of record, you may change your vote at any time before your shares are voted at the special meeting by:

delivering a signed written notice to our Corporate Secretary stating that you are revoking your proxy;

completing, signing and submitting a new, valid proxy card bearing a later date (which automatically revokes any earlier proxy);

submitting a new proxy by telephone or via the Internet (in which case, your latest telephone or Internet voting instructions will be followed); or

attending the special meeting and voting in person. However, your attendance at the special meeting in and of itself will **not** cause your previously granted proxies to be revoked; you must vote at the special meeting to revoke any prior proxies.

If your shares are held in "street name," and you have instructed a bank, broker or other nominee record holder to vote your shares, you must follow the directions you receive from your bank, broker or other nominee record holder in order to change or revoke your vote. You may also change your vote by attending the special meeting and voting in person provided that you have obtained a signed proxy from

the record holder (*i.e.*, your bank, broker or other nominee record holder) giving you the right to vote those shares.

Q28: When does an abstention occur?

A28: An abstention occurs when you affirmatively instruct a vote to be withheld (by checking the "abstain" or "withhold authority to vote" box on the proxy card) or when a stockholder who has not given a proxy is present at the special meeting but does not cast a ballot or submit a proxy card in person.

Q29: What happens if I fail to vote on the proposals or if I abstain from voting?

A29: Your failure to vote on (a) the charter amendment proposal (and related subproposals), or (b) the bylaw amendment proposal will have the same effect as a vote *against* each of these proposals. This is because the vote that is required to approve these proposals is based upon the number of shares outstanding as of the record date and entitled to vote thereon (rather than upon the shares actually voted). Similarly, if you respond with an "abstain" vote or are present in person or by proxy and do not vote any of your shares on these proposals, this will have the same effect as a vote *against* these proposals.

Your failure to vote on (a) the share issuance proposal or (b) the adjournment proposal will have no effect on the outcome of the vote for such proposals. This is because the vote that is required to approve these proposals is based upon the number of shares actually voted. Similarly, if you respond with an "abstain" vote, your proxy will not affect the outcome of the vote, because such abstentions will be counted in determining the presence of a quorum but they will not be considered to be voted for purposes of any proposal.

Q30: How will broker non-votes be treated?

A30: Under the rules applicable to broker-dealers, brokers, banks and other nominee record holders holding shares in "street name" have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers, banks and other nominee record holders are precluded from exercising their voting discretion with respect to the approval of non-routine matters such as the approval of the proposals set forth in this proxy statement. As a result, absent specific instructions from the beneficial owner, brokers, banks and other nominee record holders are not empowered to vote those "street name" shares.

Since the vote required for approval of (a) the charter amendment proposal and (b) the bylaw amendment proposal is based on a percentage of the shares outstanding, broker non-votes will have the same effect as a vote *against* these proposals. However, broker non-votes will have no effect on the outcome of the vote for the share issuance proposal or the adjournment proposal because the vote required for approval of these proposals is based on the number of shares actually voted, whether in person or by proxy.

Q31: Is it possible to vote via the Internet or by telephone?

A31: If you hold your shares directly as a record holder, you may vote your shares via the Internet or by telephone by following the instructions included with your proxy card.

If your shares are held in "street name" by your broker, bank or other nominee record holder, please check the voting instruction card you received or contact your broker, bank or other nominee record holder to determine whether you will be able to vote your shares via the Internet or by telephone.

Q32: What do I do if I receive more than one proxy card or set of voting instructions?

A32: If you hold shares in both "street name" and directly as a record holder, you may receive more than one proxy card or voting instruction card relating to the special meeting. Please complete, date, sign and return separately all of the proxy cards or voting instruction cards that you receive (or submit your proxy via the Internet or by telephone) to ensure that all of your shares are voted.

Q33: What if I can't find where my Activision shares are held?

A33: To determine if you are a holder of record, please contact our transfer agent, Continental Stock Transfer & Trust Company, toll-free at (800) 509-5586 or, if you are an international holder, at (212) 509-4000. If you are a record holder, Continental will be able to assist you with your stock ownership needs. If you are not, please contact your bank, broker or other nominee record holder to determine who the record holder of your shares is.

Q34: Who can help answer my questions?

A34: If you have additional questions about the transaction after reading this proxy statement, or if you need assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please call Activision's proxy solicitors, Morrow & Co., LLC, toll-free at (800) 573-4804, or Innisfree M&A Incorporated, toll-free at (877) 456-3422. Banks and brokerage firms please call Morrow at (203) 658-9400 or Innisfree at (212) 750-5833. International holders may call Morrow collect at (203) 658-9400 or Innisfree collect at (412) 232-3651.

If your shares are held in a stock brokerage account or by a bank or other nominee record holder in "street name," you should also call your broker, bank or other nominee record holder for additional information.

SUMMARY

The following summary highlights certain information contained in this proxy statement. This summary may not contain all of the information that may be important to you. For a more complete description of the business combination agreement and the transactions contemplated thereby, we encourage you to read this proxy statement, including all of the annexes, carefully and in their entirety. You may obtain copies of our public filings with the SEC without charge by following the instructions set forth in the section entitled "Where You Can Find More Information" in this proxy statement.

The Transaction

Activision and Vivendi have entered into a business combination agreement to combine Vivendi Games, Vivendi's interactive entertainment business, with Activision. We believe that Vivendi Games' portfolio of leading franchises, including Blizzard Entertainment's *World of Warcraft*®, will facilitate Activision's expansion into the higher operating margin and fast growing massively multiplayer online games genre and will provide scale benefits to our international business, including establishing a meaningful presence in the rapidly growing Asian markets, which we have identified as top strategic priorities.

The transaction will be governed by the terms of the business combination agreement, a copy of which is attached as Annex A to this proxy statement. We encourage you to read the business combination agreement, including all of the exhibits thereto, carefully and in their entirety. For more information on the business combination agreement, see the section entitled "The Business Combination Agreement."

In the transaction:

Merger of Vivendi Games. Activision and Vivendi Games will combine their businesses through the merger of a newly formed, wholly-owned subsidiary of Activision with and into Vivendi Games. As a result of the merger, Vivendi Games, the parent company of Blizzard Entertainment and Sierra, will become a wholly-owned subsidiary of Activision. VGAC will receive approximately 295.3 million newly issued shares of Activision common stock in the merger, which number is based upon a valuation of Vivendi Games at \$8.121 billion and a per share price for Activision common stock of \$27.50.

Share Purchase by Vivendi. Simultaneously with the merger, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock, at \$27.50 per share, for an aggregate purchase price of approximately \$1.731 billion. Immediately following completion of the merger and share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

Post-Closing Corporate Governance. Upon the closing of the transaction, Activision's certificate of incorporation and bylaws will be amended and restated to provide for, among other things, (a) the change of the combined company's name, (b) the change of the combined company's fiscal year end to December 31, (c) an increase in the authorized number of shares of Activision common stock, (d) certain majority and minority stockholder protections, and (e) certain changes to the structure of the board of the combined company. As a result of these amendments, among other things, Vivendi will be entitled to appoint a majority of the combined company's board of directors.

After the closing of the transaction, the combined company will commence a cash tender offer for up to 146.5 million of its shares (representing approximately 50% of the shares of Activision common stock outstanding immediately prior to the transaction) at \$27.50 per share. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

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For a more complete description of Activision's ownership structure following the transaction, see the section entitled "The Business Combination Agreement The Share Purchase Ownership of Activision Common Stock Following the Transaction."

The following diagrams illustrate (a) the steps of the transaction and (b) the organizational structure of Activision Blizzard and its subsidiaries immediately after the transaction:

Transaction

Post-Transaction Structure

-
- (1) If the post-transaction self tender offer is fully-subscribed, (a) Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard common stock and (b) Activision's existing stockholders are expected to own approximately 32.0% of the issued and outstanding shares of Activision Blizzard common stock, in each case on a fully diluted basis.
 - (2) Includes Blizzard Entertainment, Sierra, Sierra Online and Vivendi Games Mobile.

The Business Combination Agreement

Parties to the Business Combination Agreement

Activision, Inc.

We are a leading international developer, publisher and distributor of interactive entertainment software and peripheral products covering diverse game categories, including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming and strategy.

Our publishing business involves the development, marketing and sale of products either directly, by license or through our affiliate label program with certain third-party publishers. Our product portfolio includes top-selling franchises for PC and console platforms, such as Guitar Hero , Call of Duty® and the Tony Hawk series, as well as Spider-Man , X-Men , Shrek®, James Bond and TRANSFORMERS .

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

We maintain operations in the United States, Canada, the United Kingdom, France, Germany, Ireland, Italy, Japan, Australia, Sweden, Spain, the Netherlands and South Korea. Activision's headquarters are located at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Telephone: (310) 255-2000.

Sego Merger Corporation

Sego Merger Corporation, a Delaware corporation and a wholly-owned subsidiary of Activision, or Merger Sub, was formed on November 29, 2007 for the purpose of effecting the merger contemplated by the business combination agreement. Merger Sub has not conducted any activities or operations to

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date, except for those incidental to its formation and undertaken in connection with the transaction. Merger Sub's headquarters are located at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Telephone: (310) 255-2000.

Vivendi S.A.

Vivendi S.A., a *société anonyme* (a form of limited liability company) organized under the laws of France, or Vivendi, is a global leader in digital entertainment with activities in music, television, cinema, mobile, Internet, and games through its ownership of Universal Music Group, Canal+ Group, SFR, Maroc Telecom and Vivendi Games. In 2007, Vivendi had revenues of over €21 billion and a global headcount of 37,000 employees. Listed on the Paris stock market, NYSE Euronext, compartiment A, under the symbol "VIV," Vivendi is a member of the CAC 40 (one of the main Euronext stock indices).

Vivendi's media business is comprised of (a) Vivendi Games, a global developer, publisher and distributor of multi-platform interactive entertainment; (b) Universal Music Group, the world's No. 1 music content company; (c) the Canal+ Group, the French leader in premium and theme television channel distribution and programming; and (d) a 20% interest in NBC Universal, one of the world's leading media companies.

Vivendi's headquarters are located at 42 avenue de Friedland, 75380 Paris Cedex 08, France, Telephone: +33-1-71-71-10-00.

Vivendi Games, Inc. and VGAC LLC

Vivendi Games, Inc., a Delaware corporation, or Vivendi Games, is a direct wholly-owned subsidiary of VGAC LLC, which is a Delaware limited liability company and an indirect wholly-owned subsidiary of Vivendi.

Vivendi Games is a global developer, publisher and distributor of multi-platform interactive entertainment. Vivendi Games is the leader in terms of subscriber base and revenues in the subscription-based MMORPG category, has a traditional PC, console, handheld and mobile games business, and has entered the casual online and mobile gaming segments. Through its subsidiary, Blizzard Entertainment, Vivendi Games' portfolio includes the MMORPG hit *World of Warcraft* and the *Warcraft*®, *StarCraft*®, and *Diablo*® series.

Vivendi Games has two principal publishing labels, Blizzard Entertainment and Sierra, which are wholly-owned subsidiaries of Vivendi Games. Vivendi Games' headquarters are located at 6060 Center Drive, 5th Floor, Los Angeles, California 90045, Telephone: (310) 431-4000.

After the closing of the transaction, we anticipate that Sierra, Sierra Online, and Vivendi Games Mobile will become divisions of Activision Publishing, Inc.

Merger

At the effective time of the transaction, Merger Sub, a newly formed, wholly-owned subsidiary of Activision, will merge with and into Vivendi Games, an indirect wholly-owned subsidiary of Vivendi and the parent of Blizzard Entertainment and Sierra. Vivendi Games will survive the merger and become a wholly-owned subsidiary of Activision.

Consideration to be Received in the Merger

Vivendi Games Common Stock. At the effective time of the merger, each outstanding share of Vivendi Games common stock will be converted into the right to receive 369,136.36364 newly issued shares of Activision common stock, which is referred to in this proxy statement as the "exchange ratio." Activision will issue approximately 295.3 million shares of Activision common stock to VGAC, the sole stockholder of Vivendi Games, in the merger, which number is based upon a valuation of Vivendi

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Games at \$8.121 billion and a per share price for Activision common stock of \$27.50. For a more complete description of the merger consideration, see the section entitled "The Business Combination Agreement The Merger Consideration to be Received in the Merger."

Treatment of Equity Grants under the Blizzard Equity Plan. Certain Blizzard Entertainment employees participate in the Blizzard Entertainment 2006 Equity Incentive Plan, which is referred to in this proxy statement as the "Blizzard equity plan," pursuant to which they have been granted options to acquire shares of Blizzard common stock and/or shares of restricted Blizzard common stock. Under the terms of the Blizzard equity plan, at the effective time of the transaction, all outstanding and unexercised options to acquire shares of Blizzard common stock as well as all outstanding shares of restricted Blizzard common stock will be cancelled and converted into the right to receive an amount in cash, each in accordance with the terms of the Blizzard equity plan. The estimated aggregate cash payments to be made by Activision Blizzard to Blizzard equity plan participants will be \$116.2 million at the closing of the transaction and an additional \$91.8 million eighteen months after such closing, in each case assuming the Blizzard equity plan participants remain employed at Blizzard through the applicable date. For a more complete description of the treatment of the equity grants and certain payments required to be made by the combined company under the Blizzard equity plan, see the section entitled "The Business Combination Agreement The Merger Treatment of Equity Grants under the Blizzard Equity Plan."

Share Purchase

Simultaneously with the closing of the merger, Vivendi will purchase from Activision, at a purchase price of \$27.50 per share, approximately 62.9 million newly issued shares of Activision common stock for an aggregate purchase price of approximately \$1.731 billion in cash. For a more complete description of the share purchase, see the section entitled "The Business Combination Agreement The Share Purchase."

Name Change

Upon closing of the transaction, the combined company will be renamed "Activision Blizzard, Inc."

Post-Closing Corporate Governance

Upon closing of the transaction, our certificate of incorporation and bylaws will be amended and restated to provide for, among other things, (a) the change of the combined company's name, (b) the change of the combined company's fiscal year end to December 31, (c) an increase in the authorized number of shares of Activision common stock, (d) certain majority and minority stockholder protections, and (e) certain changes to the structure of the board. As a result of these amendments, among other things, Vivendi will be entitled to appoint a majority of the combined company's board of directors.

As a result of these changes to our certificate of incorporation and bylaws, effective as of the closing of the transaction, the board of directors of Activision Blizzard will consist of 11 members: six (6) directors designated by Vivendi, two (2) Activision executive directors and three (3) independent directors.

The Vivendi designated directors initially will be Messrs. René Pénisson, Jean-Bernard Lévy, Bruce L. Hack, Doug Morris, Philippe Capron and Frédéric Crépin. The executive directors initially will be Messrs. Robert A. Kotick, our Chairman and Chief Executive Officer, and Brian G. Kelly, our Co-Chairman. The three independent directors initially will be Messrs. Robert J. Corti, Robert J. Morgado and Richard Sarnoff, each of whom currently serves on our board of directors.

Initially, René Pénisson will be Chairman of Activision Blizzard.

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Following the completion of the transaction, Robert A. Kotick will be President and Chief Executive Officer and Brian G. Kelly will be Co-Chairman of Activision Blizzard. Bruce L. Hack, current Chief Executive Officer of Vivendi Games, will serve as Vice-Chairman and Chief Corporate Officer of Activision Blizzard, responsible for leading the merger integration and the finance, human resources and legal functions. Michael J. Griffith will serve as President and Chief Executive Officer of Activision Publishing, which after closing will include the Sierra, Sierra Online and Vivendi Games Mobile divisions in addition to the Activision Publishing business. Michael Morhaime will continue to serve as President and Chief Executive Officer of Blizzard Entertainment. Thomas Tipl, currently Chief Financial Officer of Activision Publishing, will be appointed Chief Financial Officer of Activision Blizzard, and Jean-François Grollemund, currently Chief Financial Officer of Vivendi Games, will be appointed Chief Accounting Officer of Activision Blizzard.

Tender Offer

Under the terms of the business combination agreement, within five (5) business days after the closing of the transaction, Activision Blizzard has agreed to commence a cash self tender offer to purchase up to 146.5 million shares of its common stock (representing approximately 50% of the shares of Activision common stock outstanding immediately prior to the transaction) at a purchase price of \$27.50 per share.

The tender offer will offer liquidity to Activision Blizzard stockholders at \$27.50 per share, regardless of the then-current market price per share, subject to proration if the tender offer is oversubscribed, and will allow Vivendi and any other non-tendering stockholders to increase their respective percentage ownership of Activision Blizzard. Activision Blizzard stockholders will not be diluted by the tender offer except to the extent Vivendi purchases additional shares of Activision Blizzard as it is required to do if the aggregate tender offer consideration exceeds \$2.928 billion. Activision Blizzard stockholders are not required to participate in the tender offer. The commencement of the tender offer will not prohibit Activision Blizzard stockholders, including directors, officers, and employees of Activision Blizzard, from selling shares of Activision Blizzard common stock in open market transactions or otherwise, including during the period of the tender offer.

The tender offer will not be subject to any minimum condition on the number of shares tendered. Subject to the other conditions of the tender offer being satisfied and the proration described in the following sentence, Activision Blizzard will purchase any shares that are tendered even if the number of shares tendered is less than 146.5 million shares, the maximum number of shares to be purchased in the tender offer. If the number of shares of Activision Blizzard common stock tendered is greater than 146.5 million shares, Activision Blizzard will purchase the shares pro rata, which means that each stockholder who accepts the offer will have only a portion of such stockholder's shares purchased by Activision Blizzard.

If the maximum number of shares (146.5 million shares) is tendered in the offer, the aggregate purchase price for the shares of common stock purchased in the tender offer will be approximately \$4.028 billion. Under the terms of the business combination agreement, Activision and Vivendi have agreed the purchase of the shares tendered in the tender offer will be funded as follows:

the first \$2.928 billion of the aggregate consideration will be funded by Activision Blizzard with proceeds from the share purchase described above, available cash on hand and, if necessary, borrowings made under the new credit facilities issued by Vivendi;

if the aggregate consideration is more than \$2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of \$27.50 per share, additional newly issued shares of Activision Blizzard common stock in an amount equal to the lesser of (a) \$700 million and (b) the excess of the aggregate consideration over \$2.928 billion, which amount will be used to fund the amount of the aggregate consideration that is in excess of \$2.928 billion; and

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if the aggregate consideration exceeds \$3.628 billion, Activision Blizzard will fund the additional amount of the aggregate consideration that is in excess of \$3.628 billion (up to the maximum aggregate purchase price of \$4.028 billion) through borrowings made under the new credit facilities issued by Vivendi. See "The Transaction New Credit Facilities."

For a more complete description of the tender offer, see the section entitled "The Business Combination Agreement The Tender Offer."

Conditions to Closing

The respective obligations of the parties to effect the transaction are subject to the satisfaction or, to the extent permitted under applicable laws and the terms of the business combination agreement, waiver of a number of conditions, including, among other things, the following:

the approval by Activision's stockholders of the principal terms of the business combination agreement and the transaction, including the issuance of shares of Activision common stock in the transaction and the amendments to the certificate of incorporation and bylaws of Activision;

the expiration or earlier termination of the waiting period under U.S. antitrust laws (which waiting period expired on January 16, 2008);

the receipt of all approvals required from governmental authorities in the European Union (which approval was received on April 16, 2008) as well as any other required regulatory approvals;

the absence of any injunction, legal restraints or prohibitions preventing the consummation of the transaction; and

the obtainment by Activision of one or more new credit facilities from either third party lenders or from Vivendi to fund a portion of the tender offer, which has occurred. See "The Transaction New Credit Facilities."

The respective obligations of Activision and Merger Sub to effect the transaction are subject to the satisfaction or waiver of several additional conditions (any of which may be waived in writing by Activision), including:

the accuracy of representations and warranties of Vivendi, VGAC and Vivendi Games as of the closing date, other than those failures to be true and correct that would not reasonably be expected to have a material adverse effect on Vivendi Games;

the performance in all material respects by Vivendi, VGAC and Vivendi Games of the obligations required to be performed by each of them under the business combination agreement at or prior to the closing date;

the absence of any pending litigation, commenced by any stockholder of Vivendi or Vivendi Games after the date of the business combination agreement, against Vivendi, VGAC or any of its directors before any governmental entity relating to (a) the business combination agreement, (b) any ancillary document thereto, or (c) the transactions contemplated by the business combination agreement or the ancillary documents thereto that would render it impossible or unlawful to consummate the transaction;

the taking of all necessary actions by Vivendi, VGAC and Vivendi Games to provide that, immediately prior to the closing of the transaction, (a) all intercompany arrangements, other than licenses entered into in the ordinary course of business, between Vivendi and VGAC, on the one hand, and Vivendi Games and its subsidiaries, on the other hand, have been terminated, and (b) all monies owed pursuant to such intercompany arrangements have been paid in full; and

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the delivery by Vivendi to Activision of executed copies of each of the ancillary documents to the business combination agreement to which either Vivendi, VGAC or Vivendi Games is a party.

The respective obligations of Vivendi, VGAC and Vivendi Games to effect the transaction are subject to the satisfaction or waiver of several additional conditions (any of which may be waived in writing by Vivendi), including:

the accuracy of representations and warranties of Activision and Merger Sub as of the closing date other than those failures to be true and correct that would not reasonably be expected to have a material adverse effect on Activision;

the performance in all material respects by Activision and Merger Sub of the obligations required to be performed by each of them under the business combination agreement at or prior to the closing date;

the absence of any pending litigation, commenced by any stockholder of Activision after the date of the business combination agreement, against Activision or any of its directors before any governmental entity relating to (a) the business combination agreement, (b) any ancillary document thereto, or (c) the transactions contemplated by the business combination agreement or the ancillary documents thereto that would render it impossible or unlawful to consummate the transaction; and

the receipt of NASDAQ authorization for listing of the shares of Activision common stock to be issued to VGAC in connection with the merger and to Vivendi in connection with the share purchase (which authorization was received on May 23, 2008).

The transaction is expected to be completed in July 2008. However, it is possible that factors outside of the parties' control could require the parties to complete the transaction at a later time or not to complete it at all. For a more complete discussion of the conditions to the transaction, see the section entitled "The Business Combination Agreement - Conditions to the Transaction."

Restrictions on Recommendation Withdrawal

The business combination agreement generally restricts the ability of Activision's board of directors to withdraw its recommendation that Activision stockholders approve the proposals set forth in this proxy statement. However, if Activision's board of directors determines in good faith (after consultation with its outside counsel) that the failure to withdraw this recommendation would be reasonably expected to be a breach of its fiduciary duties under applicable law, then Activision's board of directors may withdraw its recommendation.

Restrictions on Solicitation of Third Party Acquisition Proposals

Activision has agreed not to, directly or indirectly, solicit or engage in discussions or negotiations with any person or group with respect to an Activision acquisition proposal, which includes any offer relating to an acquisition, merger or other business combination that would result in such person or group acquiring more than a 20% interest in Activision's total outstanding securities or a sale of more than 20% of the assets of Activision and its subsidiaries. The business combination agreement does not, however, prohibit Activision from considering a bona fide acquisition proposal from a third party if certain specified conditions are met.

Each of Vivendi and Vivendi Games has agreed not to, directly or indirectly, solicit or engage in discussions or negotiations with any person or group with respect to a Vivendi Games acquisition proposal, which includes any offer relating to an acquisition, merger or other business combination that would result in the person or group acquiring more than a 20% interest in Vivendi Games' total outstanding securities or a sale of more than 20% of the assets of Vivendi Games and its subsidiaries.

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For a discussion of the restrictions imposed on the solicitation of acquisition proposals from third parties, see the section entitled "The Business Combination Agreement Restrictions on Solicitation of Acquisition Proposals" of this proxy statement.

Termination of the Business Combination Agreement

The business combination agreement may be terminated by mutual written consent of all parties at any time before the closing date. The business combination agreement may also be terminated by either Activision or Vivendi if:

the transaction is not completed on or before the ten (10) month anniversary of the execution of the business combination agreement;

any law that makes the consummation of the transaction illegal in the United States or any foreign jurisdiction in which Activision or Vivendi has substantial business and operations has been enacted, entered, enforced or deemed applicable to the transaction by a governmental entity;

a governmental entity in the United States or any foreign jurisdiction in which Activision or Vivendi has substantial business and operations issues an order, decree or ruling making the transaction illegal in the United States or any such foreign jurisdiction, and such order, decree or ruling has become final and non-appealable;

the required approval of the Activision stockholders has not been obtained; or

the other party breached any representation, warranty, covenant or agreement in the business combination agreement in a way that the related condition to closing would not be satisfied, and this breach is not cured or is incurable prior to the ten (10) month anniversary of the execution of the business combination agreement.

In addition, Vivendi may terminate the business combination agreement if:

Activision's board of directors or any committee thereof withdraws (or modifies in a manner adverse to Vivendi in any material respect), or publicly proposes to withdraw (or modify in a manner adverse to Vivendi in any material respect) its recommendation that Activision stockholders approve the proposals set forth herein, or publicly proposes to adopt or recommend any Activision acquisition proposal; or

Activision's board of directors fails to reaffirm publicly its recommendation that Activision stockholders approve the proposals set forth herein within ten (10) business days following the commencement of a third-party tender or exchange offer for Activision's capital stock.

In addition, Activision may terminate the business combination agreement in response to a superior proposal from a third party in compliance with the restrictions on solicitation provisions discussed above.

Termination Fee and Expenses

Activision has agreed to pay to Vivendi a termination fee of \$180 million if:

Vivendi terminates the business combination agreement because Activision's board of directors withdraws (or modifies in a manner adverse to Vivendi in any material respect), or publicly proposes to withdraw (or modify in a manner adverse to Vivendi in any material respect), its recommendation of the business combination agreement and the transaction, or publicly proposes to adopt or recommend any Activision acquisition proposal;

Vivendi terminates the business combination agreement because our board of directors fails to reaffirm publicly its recommendation of the business combination agreement and the transaction

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within ten (10) business days following the commencement of a third-party tender or exchange offer for our capital stock;

Activision terminates the business combination agreement in response to a superior proposal from a third party in compliance with the restrictions on solicitation provisions discussed above; or

each of the following has occurred: (a) prior to the special meeting, an Activision acquisition proposal has been made directly to Activision's stockholders or has become publicly known, or any person has publicly announced an intention to make an Activision acquisition proposal; (b) thereafter, the business combination agreement is terminated by either Vivendi or Activision because the Activision stockholder approval has not been obtained at a duly convened meeting; and (c) within twelve (12) months after such termination, Activision enters into a definitive contract to consummate, or otherwise close, a transaction constituting an Activision acquisition proposal.

Under specified conditions, Activision must also pay the actual and reasonably documented out-of-pocket expenses (including reasonable attorneys' fees) actually incurred by Vivendi, VGAC and Vivendi Games in connection with the business combination agreement and the transaction, up to a maximum of \$15 million. For more information, see the section entitled "The Business Combination Agreement Termination; Termination Fees and Expenses."

Special Meeting

Stockholders Entitled to Vote; Vote Required

Unless adjourned or postponed, the special meeting of Activision stockholders will be held on _____, _____, 2008 at _____, local time, at _____. At the special meeting, you will be asked to approve the proposals described in this proxy statement:

- Proposal No. 1:* To approve the issuance of an aggregate of approximately 358.2 million new shares of Activision common stock in connection with the transaction.
- Proposal No. 2:* To approve the amendment and restatement of our certificate of incorporation (including all related subproposals), subject to the completion of the transaction.
- Proposal No. 3:* To approve the amendment of Section 7.4(a) of our bylaws, subject to the completion of the transaction.
- Proposal No. 4:* To approve any motion to adjourn or postpone the special meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposals set forth above.

You may also be asked to act on other business, if any, that may properly come before the special meeting (or any adjournment or postponement thereof). We currently do not anticipate that any other business will be presented at the special meeting.

Only holders of record of shares of Activision common stock at the close of business on _____, 2008, which our board of directors has set as the record date, are entitled to notice of and to vote at the special meeting. As of the record date, there were _____ shares of Activision common stock outstanding and entitled to vote at the special meeting.

Approval of the charter amendment proposal and the bylaw amendment proposal require the affirmative vote of the holders of a majority of the outstanding shares of Activision common stock entitled to vote thereon. Approval of the share issuance proposal and the adjournment proposal will require the affirmative vote of the holders of a majority of the votes cast affirmatively or negatively.

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For more information on the special meeting see the section of this proxy statement entitled "The Special Meeting."

Recommendations of the Board of Directors of Activision

After careful consideration, the Activision board of directors has unanimously approved the business combination agreement and has determined that the business combination agreement and all related documents and exhibits thereto are in the best interest of Activision and its stockholders.

The Activision board of directors unanimously recommends that the holders of Activision common stock vote:

"**FOR**" Proposal No. 1 the issuance of shares of our common stock in connection with the transaction,

"**FOR**" Proposal No. 2 the amendment and restatement of our certificate of incorporation (including all related subproposals),

"**FOR**" Proposal No. 3 the amendment of Section 7.4(a) of our bylaws, and

"**FOR**" Proposal No. 4 adjournment of the special meeting, if necessary.

For a more complete description of Activision's reasons for the transaction, see the section entitled "The Transaction Activision's Reasons for the Transaction and Tender Offer."

Opinion of Activision's Financial Advisor

Activision's financial advisor, Allen & Company LLC, delivered a written opinion to the Activision board of directors to the effect that, as of December 1, 2007, taking into account the transactions contemplated by the business combination agreement as a whole and subject to various qualifications and assumptions described in the written opinion, the per share transaction price of the share purchase, the exchange ratio of the merger, and the per share transaction price of the tender offer were fair, from a financial point of view, to Activision and its stockholders.

The full text of the Allen & Company opinion, dated December 1, 2007, which sets forth the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by Allen & Company in rendering its opinion, is attached as Annex D to this proxy statement. We urge you to read the opinion carefully and in its entirety.

Allen & Company provided its opinion for the use and benefit of our board of directors in connection with its consideration of the transactions contemplated by the business combination agreement. The Allen & Company opinion addressed only the fairness, from a financial point of view, of the per share transaction price of the share purchase, the exchange ratio of the merger, and the per share transaction price of the tender offer as of the date of the Allen & Company opinion. The Allen & Company opinion is not intended to be and does not constitute a recommendation to any stockholder as to how that stockholder should vote or act with respect to the transactions contemplated by the business combination agreement or any other matter described in this proxy statement. Allen & Company was not requested to opine as to, and its opinion does not in any manner address, Activision's underlying business decision to proceed with or effect the transactions contemplated by the business combination agreement. The summary of the Allen & Company opinion in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

Pursuant to the terms of the engagement letter between Allen & Company and Activision, Allen & Company was paid a fee upon delivery of the opinion to the Activision board of directors, with such fee creditable against any transaction fee subsequently paid to Allen & Company upon the completion of the transaction. For a more complete description of the fee arrangement and the Allen & Company opinion, see the section entitled "The Transaction Opinion of Activision's Financial Advisor." See also Annex D to this proxy statement.

Interests of Directors and Executive Officers in the Transaction

In considering the recommendations of the Activision board of directors with respect to the business combination agreement and the transaction, you should be aware that certain executive officers and directors of Activision have interests in the transaction that may be different from, or in addition to, the interests of Activision stockholders generally. These interests include:

the rights of certain officers to receive payments or other benefits, including grants of equity awards and the modification of vesting schedules of existing equity awards, following the completion of the transaction;

the continuing service of several of Activision's existing directors and executive officers in the combined company after the closing date;

the amendment of employment arrangements with certain of Activision's executive officers to provide incentives for their continued service to the combined company after the closing date; and

the continued indemnification of Activision's directors post-closing.

The Activision board of directors was aware of these interests and considered them, among other things, in making its recommendation that Activision stockholders vote for the approval of the share issuance proposal, the charter amendment proposal and the bylaw amendment proposal.

Other Matters

Risk Factors

In evaluating the business combination agreement, the transaction and, in particular, the issuance of new shares of Activision common stock in connection with the transaction and the tender offer, Activision stockholders should carefully read this proxy statement and especially consider the factors discussed in the section entitled "Risk Factors."

Rights Plan Amendment

On April 18, 2000, Activision's board of directors approved a stockholder rights plan, pursuant to which each common stockholder at the close of business on April 19, 2000 received a dividend of one right for each share of common stock held. Activision has amended the rights plan concurrent with the execution of the business combination agreement to provide that (a) the rights plan will not be triggered by the business combination agreement or the transaction and (b) the rights plan will terminate upon the completion of the transaction and all rights existing under the rights plan will be extinguished.

For a more complete discussion of the rights plan amendment, see the section entitled "The Transaction Rights Plan Amendment" of this proxy statement.

New Credit Facilities

On April 29, 2008, Activision, acting on behalf of the combined company, entered into a senior unsecured credit agreement with Vivendi, borrowings under which cannot be effected until the closing of the transaction. The credit agreement will provide Activision Blizzard, after the closing of the transaction, with (a) a term loan credit facility, or the Tranche A Facility, in an aggregate amount of up to \$400.0 million to be applied to fund that portion of the post-closing tender offer consideration, if any, in excess of \$3.628 billion, as discussed in the section of this proxy statement entitled "The Business Combination Agreement The Tender Offer Funding of the Tender Offer," (b) a term loan credit facility, or the Tranche B Facility, in an aggregate amount of up to \$150.0 million to be applied to repay the Vivendi Games Loan Facility, as discussed in the section of this proxy statement entitled

"The Transaction Vivendi Games Loan Facility," and (c) a revolving credit facility, or the Revolving Facility, in an aggregate amount at any time outstanding of up to \$475.0 million to be used after the closing of the transaction for general corporate purposes. The Tranche A Facility, the Tranche B Facility and the Revolving Facility are referred to in the proxy statement, collectively, as the new credit facilities. In the event that the business combination agreement terminates prior to the closing date of the transaction, the new credit facilities will terminate effective on the same date. See "The Transaction New Credit Facilities."

Listing of Common Stock

Upon closing of the transaction, shares of common stock of the combined company, which will be renamed "Activision Blizzard, Inc.", will be traded on NASDAQ under Activision's current ticker symbol "ATVI."

Material United States Federal Income Tax Consequences

Activision stockholders will not recognize any gain or loss for United States federal income tax purposes as a result of (a) the consummation of the transaction or (b) an adoption of the proposed amendments to Activision's certificate of incorporation. See the section entitled "The Transaction Material United States Federal Income Tax Consequences."

Accounting Treatment of the Transaction

The transaction will be accounted for as a reverse acquisition under the purchase method of accounting under U.S. GAAP. For this purpose, Vivendi Games will be deemed to be the accounting acquiror and Activision will be deemed to be the accounting acquiree. Accordingly, Activision Blizzard will account for the transaction as a purchase business combination, using Vivendi Games' historical financial information and accounting policies and applying fair value estimates to the acquired assets, liabilities and commitments of Activision as of the date of the transaction.

No Appraisal Rights

Under Section 262 of the General Corporation Law of the State of Delaware, which is referred to in this proxy statement as the "DGCL," Activision stockholders do not have appraisal rights in connection with the transaction.

Regulatory Matters

Activision and Vivendi are required, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, to notify and furnish required information to the Antitrust Division of the U.S. Department of Justice and to the U.S. Federal Trade Commission prior to completing the transaction. Activision and Vivendi have made these filings, and the waiting period under the HSR Act expired on January 16, 2008.

In addition, the transaction is subject to, and the parties' obligations to effect the transaction are conditioned on, approval by governmental authorities in the European Union, which approval was received on April 16, 2008.

For a more complete discussion of the regulatory matters relating to the transaction, see the section entitled "The Transaction U.S. Federal or State and Foreign Regulatory Matters" of this proxy statement.

Per Share Market Price Data

Activision common stock trades on NASDAQ under the symbol "ATVI." The following table shows the high and low closing sale prices in U.S. dollars for Activision common stock for the periods indicated, as reported on NASDAQ after adjustments to account for any subsequent dividends or stock splits. The prices reflect inter-dealer prices and do not include retail markups, markdowns or commissions.

The closing sale price of Activision common stock as reported on NASDAQ on November 30, 2007, the last business day prior to the public announcement of the proposed transaction, was \$22.15 per share. The closing sale price of Activision common stock as reported on NASDAQ on _____, 2008, the record date for the Activision special meeting, was \$ _____ per share. As of that date, there were _____ holders of record of Activision common stock based on information provided by Activision's transfer agent.

	<u>High</u>	<u>Low</u>
Calendar Year 2006		
First Quarter	\$ 15.69	\$ 11.91
Second Quarter	14.92	10.75
Third Quarter	15.57	10.72
Fourth Quarter	17.94	14.27
Calendar Year 2007		
First Quarter	\$ 19.01	\$ 16.26
Second Quarter	21.27	18.43
Third Quarter	21.59	17.11
Fourth Quarter	29.70	18.92
Calendar Year 2008		
First Quarter	\$ 28.43	\$ 25.81
Second Quarter (through May 30, 2008)	\$ 33.75	\$ 27.03

Activision has never paid cash dividends on its common stock and has no present plans to do so. Activision expects that earnings will be retained for the continued growth and development of the business. Future dividends, if any, will depend on Activision's (or, following completion of the transaction, Activision Blizzard's) earnings, financial condition, cash requirements, future prospects, and other factors deemed relevant by our board of directors.

Vivendi Games is a privately-held company. Accordingly, per share historical data of Vivendi Games is omitted.

Selected Historical Financial Data of Activision

The following selected historical financial data as of and for each of the years in the five-year period ended March 31, 2008 has been derived from Activision's audited consolidated financial statements.

This selected information is only a summary and you should read it together with Activision's historical consolidated financial statements and the related notes thereto included elsewhere in this proxy statement.

	Year Ended March 31,				
	2008	2007	2006	2005	2004
(in thousands, except per share data)					
Summary Operating Data					
Net revenues	\$ 2,898,136	\$ 1,513,012	\$ 1,468,000	\$ 1,405,857	\$ 947,656
Cost of sales	1,645,435	978,065	940,362	844,946	567,147
Operating income	479,614	73,147	15,226	179,608	104,537
Income before tax provision	530,868	109,825	45,856	192,700	110,712
Net income	344,883	85,787	40,251	135,057	74,098
Basic earnings per share(1)	1.19	0.31	0.15	0.54	0.31
Diluted earnings per share(1)	1.10	0.28	0.14	0.49	0.29
Basic weighted average common shares outstanding(1)	288,957	281,114	273,177	250,023	236,887
Diluted weighted average common shares outstanding(1)	314,731	305,339	294,002	277,712	258,350

	Year Ended March 31,				
	2008	2007	2006	2005	2004
Summary Balance Sheet Data					
Total assets	\$ 2,530,673	\$ 1,793,947	\$ 1,418,255	\$ 1,305,919	\$ 966,220
Total liabilities	582,781	382,415	195,632	208,645	136,079
Cash, cash equivalents and short term investments	1,449,212	954,849	944,960	840,864	587,649
Capitalized software development and intellectual property licenses	193,337	231,196	147,665	127,340	135,201
Goodwill	279,161	195,374	100,446	91,661	76,493
Working capital	1,423,324	1,060,064	922,199	913,819	675,796
Long term debt					
Stockholders' equity	1,947,892	1,411,532	1,222,623	1,097,274	830,141

- (1) Consolidated financial information for fiscal years 2005-2004 reflects the restated amounts for the effect of Activision's four-for-three stock split effected in the form of a 33¹/₃% stock dividend paid on October 24, 2005 to stockholders of record as of October 10, 2005.

Selected Historical Financial Data of Vivendi Games

The following selected historical financial data as of and for each of the years in the five-year period ended December 31, 2007 has been derived from Vivendi Games' audited consolidated financial statements. The following selected historical financial data for the three months ended March 31, 2008 and 2007 and as of March 31, 2008 has been derived from Vivendi Games' unaudited interim consolidated financial statements. In the opinion of Vivendi Games' management, the unaudited interim consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of its financial position and results of operations for such periods. Interim results for the three months ended March 31, 2008, are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2008.

This selected information below is only a summary and you should read it together with Vivendi Games' historical consolidated financial statements and the notes related thereto included elsewhere in this proxy statement.

Three Months Ended March 31,		Year Ended December 31,				
2008	2007	2007	2006	2005	2004	2003

(in thousands)

(unaudited)

Summary Operating Data

Net sales	\$ 323,054	\$ 384,748	\$ 1,395,418	\$ 1,017,656	\$ 780,325	\$ 567,419	\$ 637,518
Operating income (loss)	63,285	136,769	220,421	122,441	42,069	(252,591)	(291,353)
Income (loss) from continuing operations before income taxes	64,132	132,150	215,345	106,034	33,376	(263,846)	(299,117)
Income (loss) from continuing operations	42,248	118,935	251,698	139,280	45,130	(274,259)	(299,964)
Net income (loss)	42,248	118,935	251,698	139,280	45,130	(263,527)	(291,691)

As of December 31,

As of March 31, 2008	2007	2006	2005	2004	2003
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(in thousands)

(unaudited)

Summary Balance Sheet Data

Total assets	\$ 814,245	\$ 902,622	\$ 824,284	\$ 591,736	\$ 685,174	\$ 780,041
Total liabilities	588,705	638,135	477,842	330,973	383,455	303,918
Cash and cash equivalents(1)	47,354	62,241	67,969	32,439	50,349	17,826
Capitalized software development costs, net and royalties and license agreements, net	90,503	93,051	45,432	39,511	56,537	108,395
Goodwill	207,262	203,417	202,094	178,422	131,640	131,640
Working capital (deficit)	(163,072)	(144,473)	(24,620)	(17,908)	84,657	241,317
Owner's equity(2)	225,540	264,487	346,442	260,763	301,719	476,123

(1)

"Cash and cash equivalents" reflect cash balances not transferred to Vivendi via a cash pooling agreement at the end of the applicable period. See Note 11 to the Vivendi Games historical consolidated financial statements for more information about the cash pooling agreement.

(2)

Net cash transfers under a cash pooling agreement with Vivendi are included in "Owner's equity" as part of net transfers to Vivendi.

Summary Unaudited Pro Forma Condensed Combined Financial Data

The following summary unaudited pro forma condensed combined financial data has been derived from and should be read together with the unaudited pro forma condensed combined financial information and accompanying notes. This information is based on the historical consolidated balance sheets and statements of operations of both Activision and Vivendi Games which have been presented elsewhere in this proxy statement. The transaction will be accounted for as a reverse acquisition under the purchase method of accounting. For this purpose, Vivendi Games will be deemed the accounting acquiror and Activision will be deemed the accounting acquiree. The unaudited pro forma condensed combined financial information is based on estimates and assumptions set forth in the notes to such statements, which estimates are preliminary and have been made solely for the purposes of developing such pro forma information.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2008 and the year ended December 31, 2007 gives effect to the transaction as if it had occurred on January 1, 2007. The unaudited pro forma balance sheet assumes that the transaction took place on March 31, 2008, and combines Activision's historical consolidated balance sheet as of March 31, 2008 with Vivendi Games' historical balance sheet as of March 31, 2008.

No additional pro forma adjustments have been made to reflect the repurchase of 146.5 million shares of Activision Blizzard common stock at \$27.50 per share, under the cash tender offer commencing within five (5) business days after the closing of the transaction, because the Activision common stock price exceeds the tender offer price as of the date of this proxy statement. As of May 30, 2008 the closing price of Activision common stock was \$33.75. It is expected that the level of participation in the tender offer may be limited to the extent that the Activision Blizzard stock trades significantly above the \$27.50 tender offer price throughout the tender offer period.

The businesses may have performed differently had they been combined during the periods presented. Therefore, the unaudited pro forma condensed combined financial information is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented or the results that Activision Blizzard will experience after the transaction and tender offer are consummated.

	Three Months Ended March 31, 2008	Year Ended December 31, 2007(1)
(in thousands, except per share data) (unaudited)		
Pro Forma Statement of Operations:		
Net sales	\$ 925,505	\$ 4,293,554
Net income	44,215	305,609
Net income per share:		
Basic	0.07	0.47
Diluted	0.07	0.45
Adjusted Pro Forma Statement of Operations(2):		
Net sales	\$ 925,505	\$ 4,293,554
Net income	44,215	305,609
Net income per share:		
Basic	0.07	0.47
Diluted	0.07	0.45

	Pro Forma as of March 31, 2008	Adjusted Pro Forma as of March 31, 2008(2)
	(in thousands) (unaudited)	

Balance Sheet:

Total assets	\$ 14,436,656	\$ 14,436,656
Working capital	2,983,470	2,983,470
Long term debt	33,259	33,259
Stockholders' equity	12,718,945	12,718,945

- (1) The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2007 combines the full year ended March 31, 2008 for Activision with the year ended December 31, 2007 for Vivendi Games. The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2008 combines the three months ended March 31, 2008 for Activision with the three months ended March 31, 2008 for Vivendi Games. Therefore, the statement of operations for Activision for the period January 1, 2008 to March 31, 2008 has been presented in both the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2008, and the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2007. Activision's net revenues and net income for the three months ended March 31, 2008 were \$602.5 million and \$44.2 million, respectively.
- (2) No additional pro forma adjustments have been made to reflect the repurchase of 146.5 million shares of Activision Blizzard common stock at \$27.50 per share, available to be purchased under the cash tender offer commencing within five (5) business days after the closing of the transaction, because the current stock price exceeds the tender offer price. As of May 30, 2008 the closing price of Activision common stock was \$33.75. It is expected that the level of participation in the tender offer may be limited to the extent that the Activision Blizzard stock trades significantly above the \$27.50 tender offer price throughout the tender offer period. See the sections entitled "The Business Combination Agreement The Share Purchase," "The Business Combination Agreement The Tender Offer" and "The Transaction Credit Facility."

Please see "Unaudited Pro Forma Condensed Combined Financial Information" for a description of the accounting treatment of the transaction, the unaudited pro forma condensed combined financial statements and notes thereto, and the pro forma adjustments to the historical financial information of Activision and Vivendi Games showing the effect of the transaction and tender offer contemplated by the business combination agreement.

Comparative Per Share Data

The following tables set forth the Activision historical net income per share for the year ended March 31, 2008, and the book value per share as of March 31, 2008, and net income per share for Activision Blizzard on an unaudited pro forma combined basis for the three months ended March 31, 2008 and year ended December 31, 2007, and book value per share as of March 31, 2008.

The pro forma combined data were derived from and should be read together with the unaudited pro forma condensed combined financial statements and accompanying notes. This information is based on the historical consolidated balance sheets and related historical consolidated statements of operations of Activision and Vivendi Games. The pro forma combined data give effect to the transaction using the purchase method of accounting for business combinations as a reverse acquisition in which Vivendi Games will be deemed to be the accounting acquiror of Activision while the adjusted pro forma combined data assumes no repurchase of the 146.5 million maximum Activision Blizzard common shares at \$27.50 per share available under the cash tender offer commencing within five (5) business days after closing the transaction because the Activision common stock price exceeds the tender offer price as of the date of this proxy statement.

The businesses may have performed differently had they been combined during the periods presented. You should not rely on the selected unaudited pro forma combined per share data as being indicative of the historical results that would have been achieved had the businesses been combined during the periods presented or the results that Activision Blizzard will experience after the transaction and tender offer are consummated.

Activision's historical data were derived from and should be read together with the consolidated financial statements and accompanying notes included elsewhere in this proxy statement.

Vivendi Games is a privately-held company. Accordingly, per share historical data for Vivendi Games are omitted.

	Year Ended March 31, 2008
Activision's Historical Data	
Net income per share:	
Basic	\$ 1.19
Diluted	\$ 1.10
As of March 31, 2008:	
Consolidated book value per share	\$ 6.61

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
Pro Forma Combined Data		
Pro forma net income per share(1):		
Basic	\$ 0.07	\$ 0.47
Diluted	\$ 0.07	\$ 0.45
Adjusted pro forma net income per share(2):		
Basic	\$ 0.07	\$ 0.47
Diluted	\$ 0.07	\$ 0.45
As of March 31, 2008:		
Pro forma book value per share(3)		\$ 19.65
Adjusted pro forma book value per share(3)		\$ 19.65

- (1) Pro forma net income per share was calculated by dividing pro forma net income by the pro forma weighted average common shares outstanding as if the transaction had occurred on January 1, 2007.
- (2) Represents adjusted pro forma net income per share, resulting from no adjustment for the repurchase of 146.5 million Activision Blizzard common shares at \$27.50 per share available to be repurchased under the tender offer because the Activision common stock price exceeds the tender offer price as of the date of this proxy statement. As of May 30, 2008 the closing price of Activision common stock was \$33.75.
- (3) Pro forma book value per share and adjusted pro forma book value per share are computed assuming the transaction and tender offer had occurred on March 31, 2008.

RISK FACTORS

In addition to the other information included in this proxy statement and found in the Annexes attached hereto, including the matters addressed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements," you should carefully consider the following risk factors before deciding whether to vote for the approval of the proposals and subproposals presented in this proxy statement. Additional risks and uncertainties not presently known to us or that are not currently believed to be material, if they occur, also may adversely affect the proposed transaction and the combined company, Activision Blizzard, following the completion of the transaction.

Risks Related to the Transaction

Although we expect that our combination with Vivendi Games will result in benefits to Activision, we may not realize those benefits because of integration difficulties and other challenges.

The success of our combination with Vivendi Games will be dependent in large part on the success of the management of the combined company in integrating the operations, technologies and personnel of the two companies following the completion of the transaction. The failure of the combined company to meet the challenges involved in successfully integrating the operations of Activision and Vivendi Games or to otherwise realize any of the anticipated benefits of the transaction, including additional revenue opportunities, could impair the results of operations of the combined company. In addition, the overall integration of the companies is a complex, time-consuming and expensive process that, without proper planning and effective and timely implementation, could significantly disrupt the businesses of Activision and Vivendi Games.

The challenges involved in this integration include the following:

integrating successfully each company's operations, technologies, products and services;

reducing the costs associated with each company's operations and, in particular, reducing historic losses in the Sierra businesses;

coordinating the publishing, distribution and marketing efforts to effectively promote the products of the combined company;

preserving development, distribution, licensing or other important relationships of both Activision and Vivendi Games and resolving potential conflicts that may arise;

consolidating and rationalizing information technology platforms and administrative infrastructures;

minimizing the diversion of management attention from ongoing business concerns; and

combining the corporate cultures, maintaining employee morale and retaining key employees.

The combined company may not successfully integrate the operations of Activision and Vivendi Games in a timely manner, or at all, and the combined company may not realize the anticipated benefits or synergies of the transaction to the extent, or in the timeframe, anticipated. The anticipated benefits and synergies include cost savings associated with anticipated restructurings and other operational efficiencies, greater economies of scale and revenue enhancement opportunities. However, these anticipated benefits and synergies assume a successful integration and are based on projections, which are inherently uncertain, and other assumptions. Even if integration is successful, anticipated benefits and synergies may not be achieved.

Vivendi will own between 52.2% and 68.0% of Activision Blizzard's outstanding shares of common stock after completion of the transaction and the post-closing tender offer.

Immediately upon closing of the transaction, Vivendi and its subsidiaries are expected to own approximately 52.2% of our issued and outstanding shares of common stock on a fully diluted basis. If the maximum number of our shares is tendered in the tender offer, Vivendi and its subsidiaries are expected to own approximately 68.0% of our issued and outstanding shares of common stock on a fully diluted basis. See the section entitled "The Business Combination Agreement The Tender Offer" for a more detailed discussion.

As a result of the transaction, Vivendi will have the ability to nominate a majority of the combined company's board of directors and determine the outcome of certain matters submitted to Activision Blizzard's stockholders, such as the approval of significant transactions. As a result, actions that may be supported by a majority of the other stockholders could be blocked by Vivendi. In addition, Vivendi's ownership could affect the liquidity in the market for the combined company's common stock.

Furthermore, the ownership position and governance rights of Vivendi would likely discourage a third party from proposing a change of control or other strategic transaction concerning Activision Blizzard. As a result, the Activision Blizzard common stock could trade at prices that do not reflect a "control premium" to the same extent as do the stocks of similarly situated companies that do not have a stockholder with an ownership interest as large as Vivendi's ownership interest.

Some of our current directors and executive officers have interests in the transaction that may differ from your interests as a stockholder, and these persons may have conflicts of interest in recommending you approve the proposals set forth in this proxy statement.

In considering whether to approve the proposals and subproposals set forth in this proxy statement, you should recognize that some of the members of management and our board of directors may have interests in the transaction that differ from, or are in addition to, their interests as stockholders. These interests include:

the rights of certain officers to receive payments or other benefits, including grants of equity awards and the modification of vesting schedules of existing equity awards, following the completion of the transaction;

the continuing service of several of Activision's existing directors and executive officers in the combined company after the closing date;

the amendment of employment arrangements with certain of Activision's executive officers to provide incentives for their continued service to the combined company after the closing date; and

the continued indemnification of Activision's directors post-closing.

These interests are described in greater detail in the sections entitled "The Transaction Interests of Activision's Executive Officers and Directors in the Transaction," "Board and Management of Activision Blizzard" and "Corporate Governance of Activision Blizzard."

Subject to certain limitations, Vivendi may sell common stock at any time following the completion of the transaction, which could cause our stock price to decrease.

The sale of shares of common stock that Vivendi and its subsidiaries receive in the transaction or to fund the tender offer will be restricted, but Vivendi may sell these shares under certain circumstances, including pursuant to a registered underwritten public offering under the Securities Act of 1933, as amended, or in accordance with Rule 144 under the Securities Act. We have entered into an investor agreement with Vivendi, which includes registration rights and which will give Vivendi the

right 120 days after the closing date to require us to register all or a portion of its shares at any time, subject to certain limitations. The sale of a substantial number of shares of common stock by Vivendi or by our other stockholders within a short period of time could cause our stock price to decrease, and make it more difficult for us to raise funds through future offerings of common stock.

If the amendment to our certificate of incorporation to increase the number of authorized shares of common stock is approved and the transaction is completed, we will be able to issue more shares of common stock than currently authorized. As a result, such future issuances of common stock could have a dilutive effect on the earnings per share and voting power of Activision Blizzard stockholders.

If the amendment to our certificate of incorporation to increase the number of authorized shares of common stock is approved by stockholders and the transaction is completed, we will be able to issue more shares of common stock than currently authorized. If the board of directors elects to issue additional shares of common stock in the future, whether in public offerings, in connection with mergers and acquisitions, or otherwise, such additional issuances could dilute the earnings per share and voting power of Activision Blizzard stockholders.

The transaction is subject to conditions, including certain conditions that may not be satisfied, and may not be completed on a timely basis, or at all. Failure to consummate the transaction could have material and adverse effects on Activision.

The completion of the transaction is subject to a number of conditions, which make the completion and timing of the completion of the transaction uncertain. See the section entitled "The Business Combination Agreement Conditions to the Transaction" for a more detailed discussion.

As discussed in this proxy statement, the conditions to Vivendi's obligation to close the transaction include the absence of any pending litigation commenced by any Activision stockholder after December 1, 2007 against Activision or any of its directors before any governmental entity relating to (a) the business combination agreement, (b) any ancillary document thereto, or (c) the transactions contemplated by the business combination agreement or the ancillary documents thereto that would render it impossible or unlawful to consummate the transaction and the tender offer. On February 8, 2008, the Wayne County Employees' Retirement System filed a putative class action complaint against Activision, Merger Sub, Robert J. Corti, Ronald Doornink, Barbara S. Isgur, Robert A. Kotick, Brian G. Kelly, Robert J. Morgado, Peter J. Nolan, Richard Sarnoff, Vivendi, VGAC, and Vivendi Games challenging the transaction. The defendants believe that plaintiff's claims are unsupported by law or facts and intend to defend themselves vigorously against the lawsuit. Because this case is in its early stages, however, an outcome cannot be predicted at this time, and we cannot be assured that it will not prevent or delay the consummation of the transaction and/or result in substantial costs. See "Litigation Related to the Transaction."

If the transaction is not completed on a timely basis, or at all, because of such lawsuit or otherwise, our ongoing business may be adversely affected and, without realizing any of the benefits of having completed the transaction, we will be subject to a number of risks, including the following:

we may be required to pay a termination fee of \$180 million if the transaction is terminated under certain circumstances, as described in the business combination agreement;

we will be required to pay certain costs relating to the transaction, such as legal, accounting, financial advisor and printing fees, whether or not the transaction is completed; and

matters relating to the transaction (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

In addition, we could also be subject to litigation related to any failure to complete the transaction. If the transaction is not completed on a timely basis, or at all, these risks may materialize and may adversely affect our business, financial results and stock price.

Risks Related to Activision's Business

SEC investigation and litigation relating to stock options remain pending and may adversely affect our business and results of operations.

Although the special subcommittee of independent members of our board of directors established in July 2006 to review our historical stock option granting practices, which we refer to as the special subcommittee, has completed its review of those practices and our stock option grants made in the period between 1992 and 2006, and although we have made to the SEC Staff an offer of settlement of the SEC's formal investigation relating to our stock option granting practices, which the SEC Staff has indicated it is prepared to recommend to the SEC, and have agreed to a settlement of the derivative litigation against us and certain of our current and former directors and officers, the settlement with the SEC remains subject to final documentation and then approval by the Commission and the settlement of the derivative litigation remain subject to final court approval. We believe that we have taken appropriate action by restating our financial statements through the fiscal year ended March 31, 2006, as filed in our amended Annual Report on Form 10-K/A on May 25, 2007, and made appropriate disclosures for matters relating to stock options. If, however, the pending settlements are not approved, the SEC could institute enforcement action seeking other or additional relief or the court in the derivative actions could make findings disagreeing with the findings of the special subcommittee or with the manner in which we have accounted for and reported, or not reported, the financial impact of past option grant measurement date errors. Under such circumstances, we could be required to further restate our prior financial statements, further amend our filings with the SEC, or take other actions not currently contemplated. In addition, additional proceedings would be likely to result in additional legal expense that may affect our results in future periods, and may also result in diversion of management attention and other resources, as well as fines, penalties, damages and other sanctions against us or individual directors and officers. These eventualities could materially and adversely affect our business and results of operations. We cannot currently predict the ultimate outcome of these proceedings.

We depend on a relatively small number of franchises for a significant portion of our revenues and profits.

A significant portion of our revenues is derived from products based on a relatively small number of popular franchises each year, and these products are responsible for a disproportionate amount of our profits. In addition, many of these products have substantial production or acquisition costs and marketing budgets. In fiscal 2008, 65% of our consolidated net revenues and 75% of our worldwide publishing net revenues were derived from three franchises, and in fiscal 2007, 39% of our consolidated net revenues and 52% of our worldwide publishing net revenues were derived from three franchises. We expect that a limited number of popular franchises will continue to produce a disproportionately large amount of our revenues and profits. Due to this dependence on a limited number of franchises, the failure to achieve anticipated results by one or more products based on these franchises may significantly harm our business and financial results.

Sales of certain titles such as Guitar Hero are affected by hardware peripheral availability.

Some of our titles involve one or more separate hardware peripherals, such as the guitar controller in *Guitar Hero*. Typically, we sell such software both in bundles with the hardware peripheral and on a stand-alone basis. Consumers may not want to buy such game software if they cannot also buy the hardware peripheral. If we underestimate demand or otherwise are unable to produce sufficient quantities of the hardware peripheral of an acceptable quality or allocate too few peripherals to geographic markets and hardware platforms where demand exceeds supply, we will forego revenue.

This may also create greater opportunities for competitors to develop or gain market share with competitive product offerings. If we overestimate demand and make too many peripherals, or allocate too many peripherals to geographic markets and hardware platforms where there is insufficient demand, we will incur unrecoverable manufacturing costs for unsold units as well as for unsold game software. In either case, hardware peripheral manufacturing and allocation decisions may negatively affect our financial performance.

A limited number of manufacturers are authorized by Sony, Nintendo or Microsoft to make the hardware peripherals for *Guitar Hero*, and the majority of those manufacturers are located in China. Anything that adversely impacts the ability of those manufacturers to produce or otherwise supply the hardware peripherals for us, including the revocation of the first party license to produce the hardware, the utilization of such manufacturer's capacity by one of our competitors, natural disasters that disrupt manufacturing, transportation or communications, labor shortages, civil unrest or issues generally negatively impacting international companies operating in China, may adversely impact our ability to supply those peripherals to the market.

Our sales may decline substantially without warning and in a brief period of time because a majority of our sales are made to a relatively small number of key customers and because we do not have long-term contracts for the sale of our products.

In the United States and Canada, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. Our products are sold internationally on a direct-to-retail basis, through third-party distribution and licensing arrangements and through our wholly-owned European distribution subsidiaries. Our sales are made primarily on a purchase order basis without long-term agreements or other forms of commitments. Our largest customers, Wal-Mart and GameStop, accounted for approximately 14% and 13%, respectively, of our consolidated net revenues for the fiscal year ended March 31, 2008 and approximately 22% and 8%, respectively, of our consolidated net revenues for the fiscal year ended March 31, 2007. The loss of, or significant reduction in sales to, any of our principal retail customers or distributors could significantly harm our business and financial results. The concentration of sales in a small number of large customers also could make us more vulnerable to collection risk if one or more of these large customers became unable to pay for our products. In addition, having such a large portion of our total net revenue concentrated in a few customers reduces our negotiating leverage with these customers.

We may not be able to maintain our distribution relationships with key vendors and customers.

Our CD Contact, NBG, and Centresoft subsidiaries distribute interactive entertainment software and hardware products and provide related services in the Benelux countries, Germany, and the United Kingdom, respectively, and via export in other European countries for a variety of entertainment software publishers, many of which are our competitors, and hardware manufacturers. From time to time, they also maintain exclusive relationships to serve certain retail customers. These services are generally performed subject to limited-term arrangements. Although we expect to use reasonable efforts to retain these vendors and retail customer relationships, we may not be successful in this regard. The cancellation or non-renewal of one or more of these arrangements could adversely affect business and financial results.

Our investments in auction rate securities are subject to risks that may have an adverse effect on our liquidity.

As of March 31, 2008, the par value of our investment in auction rate securities was \$95.2 million, or approximately 6%, of our cash, cash equivalents and investments, and the fair value of these securities was estimated to be \$90.9 million, or \$4.3 million below par. The change in fair value was recorded as a component of comprehensive income (loss) in the consolidated statement of changes in shareholders' equity, as the decline in fair value is not considered to be "other-than-temporary". The

auction rate securities we currently hold are all long term debt obligations secured by student loans, and they carry a "AAA" credit rating the highest rating given to securities by a nationally recognized rating agency.

Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 35 days. Each of the auction rate securities in our investment portfolio as of March 31, 2008 has experienced a failed auction. There is no assurance that future auctions for these securities will succeed. An auction failure means that the parties wishing to sell their securities could not be matched with an adequate volume of buyers. In the event that there is a failed auction, the indenture governing the security requires the issuer to pay interest at a contractually defined rate that is generally above market rates for other types of similar short-term instruments. The securities for which auctions have failed will continue to earn interest at the contractual rate and be auctioned every 7 to 35 days until the auction succeeds, the issuer calls the securities or they mature. As a result, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or not exist. All of our investments were classified as short-term as of December 31, 2007, because such securities were reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business, however we have classified these securities as non-current investments in our consolidated financial statements as of March 31, 2008 due to uncertainties of the timing of liquidation.

If the issuers of these auction rate securities are unable to successfully close future auctions, their credit ratings deteriorate and we determine that an "other-than-temporary" decline in fair market value has occurred, we may in the future be required to record an impairment charge on these investments. We believe we will be able to liquidate our investment without significant loss, and we currently believe these securities are not significantly impaired, primarily due to the government guarantee of a substantial portion of the underlying loans, however, it could take until the final maturity of the underlying notes (up to 39 years) to realize our investments' par value. Based on our other available cash and expected operating cash flows and financing, we do not anticipate the potential lack of liquidity on these investments will affect our ability to execute our current business plan or to consummate the proposed post-closing self tender offer described in this proxy statement in the section entitled "The Business Combination Agreement The Tender Offer." Additionally, we have received indications from certain lenders that we may borrow against the par value of the securities at competitive rates.

As online functionality becomes an increasingly important feature of our software products, we may need to defer the recognition of an increasing amount of revenue, which may adversely affect the net revenue, net income and earnings per share that we will report under GAAP.

As online functionality becomes a more important component of gameplay, an increasing number of our online-enabled games may contain a more-than-inconsequential separate service deliverable in addition to the product, and our performance obligations for these games will extend beyond the sale of the games. Vendor-specific objective evidence of fair value does not exist for the online services, as we do not plan to separately charge for this component of online-enabled games. As a result, for certain key titles to be released in the December quarter of fiscal year 2009 and thereafter, we will recognize all of the revenues from the sale of certain online-enabled games for certain platforms ratably over an estimated service period, which we currently estimate to be six months beginning the month after shipment. In addition, we will defer the costs of sales of those titles. This may have an adverse effect on the revenue, net income and earnings per share that we will report for future periods under GAAP. If we are required to recognize a greater portion of the revenue of a sale after shipment, or if we are required to recognize revenue over a longer service period, there may be an adverse effect on our reported net revenue, net income and earnings per share under GAAP.

Risks Related to the Vivendi Games Business

Vivendi Games is dependent on Blizzard's World of Warcraft franchise.

The majority of Vivendi Games' total net sales are derived from Blizzard's *World of Warcraft* franchise. For the three months ended March 31, 2008 and for the years ended December 31, 2007, 2006 and 2005, Blizzard's *World of Warcraft* titles accounted for approximately 85%, 77%, 62%, and 48%, respectively, of Vivendi Games' total net sales. Vivendi Games is the current leading global developer, publisher and distributor in terms of subscriber base and revenues in the subscription-based MMORPG category, due to the popularity of *World of Warcraft* and related expansion packs. To remain the leader in the MMORPG category, it is important that Vivendi Games continue to refresh *World of Warcraft* or develop new MMORPG products that are favorably received by its existing customer base and new customers. A number of software publishers have developed and commercialized or are currently developing online games for use by consumers over the Internet which pose a threat to the popularity of *World of Warcraft*, and Vivendi Games expects new competitors to continue to emerge in the MMOG category. If consumer demand for *World of Warcraft* games declines and Vivendi Games has not introduced new MMOG or other products that replace *World of Warcraft's* potentially decreasing revenue, or added other sources of revenue, Vivendi Games' financial condition could suffer. Additionally, if new technologies are developed that replace MMOG games, if consumer preferences trend away from MMOG games or if new business models emerge that offer online subscriptions for free or at a substantial discount to current MMOG subscription fees, Vivendi Games' revenue and profitability will decline.

The development of MMOG products requires substantial up-front expenditures. Vivendi Games may not be able to recover development costs for its future MMOG products.

Consumer preferences for games are usually cyclical and difficult to predict, and even the most successful titles remain popular for only limited periods of time, unless refreshed with new content. In order to remain competitive in the MMOG market, Vivendi Games must continuously develop new products and enhancements to existing products. Because of the significant complexity of MMOG games, these products require a longer development time and are more expensive to create than traditional console game products. In addition, the long lead time involved in developing a MMOG product and the significant allocation of financial resources that each product requires means it is critical that Vivendi Games accurately predict consumer demand for new MMOG products. While *World of Warcraft's* popularity allowed it to recoup its production costs, if future MMOG products do not achieve expected market acceptance or generate sufficient sales and subscription revenues upon introduction, Vivendi Games may not be able to recover the development and marketing costs associated with new products, and its financial results could suffer.

A substantial portion of Vivendi Games' revenues is derived from subscriptions paid by World of Warcraft subscribers. If these customers cancel their subscriptions, Vivendi Games' financial condition could suffer.

A substantial portion of Vivendi Games' revenues is generated by subscription fees paid by consumers who play *World of Warcraft*. Typically, *World of Warcraft* subscribers purchase one (1) to three (3) month memberships that are cancelable, without penalty, at the end of the membership period. If *World of Warcraft* subscribers become dissatisfied, they may choose not to renew their memberships in order to engage in other forms of entertainment (including competing MMOG offerings) and Vivendi Games may not be able to replace lost subscribers. Additionally, if general economic conditions decline, consumers may decrease their discretionary spending on entertainment items such as MMOG games and users may choose not to renew their *World of Warcraft* subscriptions. A decrease in the overall subscription base of *World of Warcraft* could substantially harm Vivendi Games' operating results.

Vivendi Games depends on servers to operate its MMORPG business. If Vivendi Games were to lose server capacity, for any reason, its business could suffer.

Vivendi Games' business relies on the continuous operation of its data servers. Any broad based catastrophic server malfunction, a significant intrusion by hackers that circumvents its security measures, or a failure of Vivendi Games' disaster recovery service would likely interrupt the operation of Vivendi Games' MMORPG games and could result in the loss of subscription-based sales. An extended interruption of service could harm Vivendi Games' goodwill and operating results.

Vivendi Games must project its future server needs and make advance purchases of servers to accommodate expected business demands. If Vivendi Games underestimates the amount of server capacity its business requires or if Vivendi Games' business were to grow more quickly than expected, Vivendi Games' customers may experience service problems, such as slow or interrupted gaming access. Insufficient server capacity may result in Vivendi Games' experiencing decreased sales, a loss of its customer base, and adverse consequences to its reputation and goodwill. Conversely, if Vivendi Games overestimates the amount of server capacity required by its business, Vivendi Games may incur additional operating costs that it would affect its operating margins.

Vivendi Games may not accurately predict the amount of bandwidth necessary to sustain its business.

Vivendi Games' online gaming businesses are dependent on the availability of sufficient Internet bandwidth. An increase in the price of bandwidth could have an adverse effect on operating margins since Vivendi Games may not be able to increase its prices or subscriber levels to compensate for such costs. Because of the importance of its MMORPG business, Vivendi Games' ability to access adequate bandwidth to support its business is critical. To secure bandwidth access, Vivendi Games has entered into arrangements with several bandwidth providers and entered into long-term contracts with some of them to secure future bandwidth capacity. If the price of bandwidth were to decrease, Vivendi Games' contractual commitment to pay higher prices could affect Vivendi Games' ability to compete with other video game producers.

Conversely, since Vivendi Games purchases additional bandwidth based on anticipated growth, its bandwidth capacity is sometimes larger than necessary to sustain its existing needs. If Vivendi Games' projected online business growth is delayed or does not occur, Vivendi Games will incur larger bandwidth expenses than necessary. If Vivendi Games underestimates the amount of bandwidth that its online business requires, and its purchased bandwidth capacity is insufficient to meet demand, Vivendi Games' business and reputation may suffer.

Vivendi Games' results of operations or reputation may be harmed as a result of offensive consumer posted content.

Vivendi Games is subject to risks associated with *World of Warcraft's* collaborative online features, specifically its online chat feature. Consumers may post narrative comment, in real time, onto *World of Warcraft's* gaming sites that is visible to other users. Despite Vivendi Games' efforts to police and restrict inappropriate consumer content, from time to time objectionable and offensive consumer content may be posted to a *World of Warcraft's* gaming site. Vivendi Games may be subject to lawsuits, governmental regulation or restrictions, and consumer backlash (including decreased sales and harmed goodwill), as a result of consumers posting offensive content, any of which could harm Vivendi Games' operating results.

A substantial portion of World of Warcraft's subscribers pays their subscription fees using credit cards. Credit card fraud could have a negative impact on Vivendi Games' business and operating results.

A substantial portion of the subscription revenue generated by *World of Warcraft* is paid by subscribers using credit cards. At times, there may be attempts to use fraudulently obtained credit card

numbers to pay for *World of Warcraft* upgrades or subscriptions. Additionally, the credit card numbers of *World of Warcraft's* subscribers are maintained in a proprietary database that may be compromised internally or externally by fraudulent maneuvers. As fraudulent schemes become more sophisticated, it may become more difficult and more costly for Vivendi Games to detect credit card fraud and protect subscriber information. An increase in credit card fraud could have an adverse effect on Vivendi Games' business and its operating results.

Risks Related to the Businesses of Activision and Vivendi Games

The future success of the Activision and Vivendi Games businesses depends on each company's ability to release popular products.

The life of any one console or handheld game product is relatively short and generally involves a relatively high level of sales during the first few months after introduction followed by a rapid decline in sales. Because revenues associated with an initial product launch generally constitute a high percentage of the total revenues associated with the life of a product, delays in product releases or disruptions following the commercial release of one or more new products could have a material adverse effect on the affected company's operating results and cause such operating results to be materially different from expectations. It is therefore important for each of Activision and Vivendi Games to be able to continue to develop many high quality new products that are popularly received. Each company focuses its development and publishing activities principally on products that are, or have the potential to become, franchise brand properties. If the companies are unable to do this, their respective business and financial results may be negatively affected.

The businesses of Activision and Vivendi Games are "hit" driven. If the companies do not deliver "hit" titles, or if consumers prefer competing products, sales could suffer.

While many new products are regularly introduced, only a relatively small number of "hit" titles account for a significant portion of net revenue. Competitors may develop titles that imitate or compete with either of Activision's or Vivendi Games' "hit" titles, and take sales away from them or reduce their ability to command premium prices for those titles. Hit products published by the companies' competitors may take a larger share of consumer spending than anticipated, which could cause product sales to fall below expectations. If the companies' competitors develop more successful products or offer competitive products at lower prices, or if Activision or Vivendi Games does not continue to develop consistently high-quality and well received products, revenues, margins, and profitability will decline.

If Activision or Vivendi Games is unable to maintain or acquire licenses to intellectual property, they may publish fewer "hit" titles and revenues may decline.

Some of Activision's and Vivendi Games' products are based on intellectual property and other character or story rights acquired or licensed from third parties. These license and distribution agreements are limited in scope and time, and Activision and Vivendi Games may not be able to renew key licenses when they expire or to include new products in existing licenses. Either company's loss of a significant number of intellectual property licenses or relationships with licensors, or inability to obtain additional licenses of significant commercial value could have a material adverse effect on such company's ability to develop new products and therefore on its business and financial results. Additionally, the failure of intellectual property acquired by either company to be popularly received could impact the market acceptance of those products in which the intellectual property is included. Such lack of market acceptance could result in the write-off of the unrecovered portion of acquired intellectual property assets, which could cause material harm to the affected company's business and financial results. Furthermore, the competition for these licenses and distribution agreements is often intense. Competition for these licenses may also increase the advances, guarantees, and royalties that must be paid to the licensor.

The interactive entertainment industry is highly competitive and competitors may succeed in narrowing the market share and reducing the sales of Activision and Vivendi Games.

Activision and Vivendi Games compete with other publishers of PC and video game console interactive entertainment software and peripherals. Those competitors vary in size from small companies with limited resources to very large corporations with significantly greater financial, marketing, and product development resources than either company has. For example, integrated video game console hardware and software companies such as Sony, Nintendo, and Microsoft compete directly with the companies in the development of software titles for their respective platforms. Certain of these competitors may spend more money and time on developing and testing products, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors for desirable motion picture, television, sports, music and character properties, and pay more to third-party software developers than either Activision or Vivendi Games do.

Activision and Vivendi Games also compete with other forms of entertainment and leisure activities. For example, the overall growth in the use of the Internet and online services by consumers may pose a competitive threat if customers and potential customers spend less of their available time using interactive entertainment software and more using the Internet and online services. A number of software publishers who compete with Activision or Vivendi Games have developed and commercialized or are currently developing online games for use by consumers over the Internet. Future increased consumer acceptance and increases in the availability of online games or technological advances in online game software or the Internet could result in a decline in platform-based software and negatively impact sales of each company's console and handheld products. Newer technological advances in online game software may also render products such as Vivendi Games' *World of Warcraft* obsolete. Direct sales of software over the Internet by competitors could materially adversely affect Activision's distribution business as well.

Competition in the interactive entertainment industry is intense and Activision and Vivendi Games expect new competitors to continue to emerge.

The businesses of Activision and Vivendi Games are subject to risks and uncertainties of international trade.

Activision and Vivendi Games conduct business throughout the world, and each company derives a substantial amount of revenue from international trade, particularly from Europe, Australia, and Asia. Activision's revenues outside of North America have accounted for 39%, 50% and 52% of Activision's consolidated net revenues in fiscal 2008, 2007 and 2006, respectively. Similarly, Vivendi Games' international revenues have accounted for approximately 55%, 53%, 48% and 46%, of Vivendi Games' net revenue for the three months ended March 31, 2008 and for the years ended December 31, 2007, 2006 and 2005, respectively. Each company expects that international revenues will continue to account for a significant portion of total revenues in the future.

Activision and Vivendi Games are subject to risks inherent in foreign trade, including increased tariffs and duties, fluctuations in currency exchange rates, shipping delays, and international political, regulatory and economic developments, all of which may impact operating margins or make it more difficult, if not impossible, for such company to conduct business in foreign markets.

For example, a deterioration in relations between the U.S. and any country in which Activision or Vivendi Games has significant operations or sales, including China, in particular, could result in the adoption or expansion of trade restrictions that harm Activision's or Vivendi Games' business and operating results as could the implementation of government regulations in a country that Activision or Vivendi Games has significant operations or sales. For example, to operate in China, *World of Warcraft* must have a publishing number. A decision by the Chinese government to revoke the number or decline to grant a number for future products would adversely impact Vivendi Games operating results. Additionally, in the past, legislation has been implemented in China that has required modifications to

the *World of Warcraft* software. The future implementation of similar laws may require engineering modifications to either company's products that are not cost-effective, if even feasible at all or could degrade the customer experience to the point where customers ceased to purchase such products.

Further, if government regulations or restrictions prevent Activision or Vivendi Games from repatriating internationally derived revenue into the U.S., or a country's tax structure makes repatriation prohibitively expensive, Activision or Vivendi Games may not transfer this revenue into the U.S., which could affect its ability to reinvest or utilize such amounts in its business.

In addition, cultural differences may affect consumer preferences and limit the popularity of titles that are "hits" in the United States. If either company does not correctly assess consumer preferences in the countries in our market, its sales and revenue may be lower than expected.

Fluctuations in currency exchange rates may have a negative impact on the businesses of Activision or Vivendi Games.

Activision and Vivendi Games 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 each to currency exchange rate risks. All of Vivendi Games' international sales are made in local currencies, which could fluctuate against the U.S. dollar. Vivendi Games has, in the past, entered into various derivative financial instruments with Vivendi to manage and reduce the exposure to fluctuations in foreign currency exchange rates. All of these instruments are traded over the counter by Vivendi with highly-rated counter-parties. All derivative financial instruments are only used for hedging purposes. Activision also has engaged in limited currency hedging activities. While these hedging activities mitigate some currency exchange rate risks, each company's reported revenues from international sales and licensing, and thus its results of operations and financial condition would be adversely affected by unfavorable movements in currency exchange rates. Additionally, there can be no assurance that Activision Blizzard will continue these programs, or that it will be successful in managing exposure to currency exchange rate risks.

Activision and Vivendi Games rely on independent third parties to develop some of their respective software products.

Activision and Vivendi Games rely on independent third-party software developers to develop some of their software products. Since they depend on these developers, in the aggregate, the companies remain subject to the following risks:

continuing strong demand for developers' resources, combined with the recognition they receive in connection with their work, may cause developers who worked for either of Activision or Vivendi Games in the past either to work for a competitor in the future or to renegotiate agreements with such company on terms less favorable for Activision or Vivendi Games;

limited financial resources and business expertise and inability to retain skilled personnel may force developers out of business prior to completing products or require Activision or Vivendi Games to fund additional costs; and

a competitor of Activision or Vivendi Games may acquire the businesses of key developers or sign them to exclusive development arrangements. In either case, the affected company

would not be able to continue to engage such developers' services for its products, except for those that such developers are contractually obligated to complete development of for such company.

Increased competition for skilled third-party software developers also has compelled Activision and Vivendi Games to agree to make significant advance payments on royalties to game developers. If the products subject to these arrangements do not generate sufficient revenues to recover these royalty advances, Activision or Vivendi Games, as applicable, would have to write-off unrecovered portions of

these payments, which could cause material harm to such company's business and financial results. Typically, Activision and Vivendi Games pay developers a royalty based on a percentage of net revenues, less agreed upon deductions, but from time to time, the companies have agreed to pay developers fixed per unit product royalties after royalty advances are fully recouped. To the extent that sales prices of products on which the companies have agreed to pay a fixed per unit royalty are marked down, their profitability could be adversely affected.

The platform licensors of each of Activision and Vivendi Games set the royalty rates and other fees that must be paid to publish games for their platforms, and therefore have significant influence on costs.

Activision and Vivendi Games pay a licensing fee to the hardware manufacturer for each copy of a product manufactured for that manufacturer's game platform. In order to publish products for new hardware platforms, each company must take a license from the platform licensor which gives the platform licensor the opportunity to set the fee structure that such company must pay in order to publish games for that platform. Similarly, the platform licensors have retained the flexibility to change their fee structures for online gameplay and features for their consoles and the manufacturing of products. The control that platform licensors have over the fee structures for their platforms and online access makes it difficult for Activision and Vivendi Games to predict their respective costs and profitability in the medium to long term. It is also possible that platform licensors will not renew the existing licenses of either Activision or Vivendi Games. Any increase in fee structures or nonrenewal of licenses could have a significant negative impact on each company's business models and profitability, particularly for Activision, as the publishing of products for console systems is the largest portion of its business.

The businesses of Activision and Vivendi Games are highly dependent on the success, timely release and availability of new video game platforms, on the continued availability of existing video game platforms, as well as each company's ability to develop commercially successful products for these platforms.

Activision derives most of its revenue, and Vivendi Games, through its subsidiary Sierra, also derives a substantial amount of revenue, from the sale of products for play on video game platforms manufactured by third parties, such as Sony's PlayStation 2, PlayStation 3 and PlayStation Portable, Microsoft's Xbox 360 and Nintendo's Wii and DS. The success of each company's business is driven in large part by the availability of an adequate supply of these video game platforms, its ability to accurately predict which platforms will be successful in the marketplace, and its ability to develop commercially successful products for these platforms. Activision and Vivendi Games must make product development decisions and commit significant resources well in advance of the anticipated introduction of a new platform. A new platform for which Activision or Vivendi Games is developing products may be delayed, may not succeed or may have a shorter life cycle than anticipated. Alternatively, a platform for which either company has not devoted significant resources could be more successful than initially anticipated, causing such company to miss a meaningful revenue opportunity. Additionally, if the platforms for which either company is developing products are not released when anticipated, are not available in adequate quantities to meet consumer demand, or do not attain wide market acceptance, such company's revenues may suffer, such company may be unable to fully recover the investment it has made in developing those products, and its financial performance may be harmed.

Transitions in console platforms could have a material impact on the market for interactive entertainment software.

In 2005, Microsoft released the Xbox 360 and, in 2006, Sony and Nintendo introduced their respective next-generation hardware platforms, the PlayStation 3 and Wii. When new console platforms are announced or introduced into the market, consumers typically reduce their purchases of game console entertainment software products for current console platforms in anticipation of new platforms

becoming available. During these periods, sales of game console entertainment software products published by Activision or Vivendi Games may be expected to slow or even decline until new platforms are introduced and achieve wide consumer acceptance. This decline may not be offset by increased sales of products for the new console platforms. As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions and decreasing prices may put downward pressure on software prices. During platform transitions, Activision and Vivendi Games may simultaneously incur costs both in continuing to develop and market new titles for prior-generation video game platforms, which may not sell at premium prices, and also in developing products for next-generation platforms, which will not generate immediate or near-term revenue. As a result, the affected company's operating results during platform transitions may be more volatile and more difficult to predict than during other times, and such volatility may cause greater fluctuations in Activision's stock price.

Activision and Vivendi Games must make significant expenditures to develop products for new platforms which may not be successful.

Each of Activision and Vivendi Games must make substantial product development and other investments in a particular platform well in advance of introduction of the platform and may be required to realign its product portfolio and development efforts in response to market changes. Furthermore, development costs for new console platforms are greater than such costs for current console platforms. If increased costs are not offset by higher revenues and other cost efficiencies, operating results will suffer and the affected company's financial position will be harmed. If the platforms for which either Activision or Vivendi Games develops new software products or modify existing products do not attain significant market penetration, such company may not be able to recover its development costs, which could be significant, and its business and financial results could be significantly harmed.

If the average price of prior-generation titles continues to decline or if Activision or Vivendi Games is unable to sustain launch pricing on next-generation titles, the affected company's operating results will suffer.

Both Activision and Vivendi Games have experienced a decrease in the average price of titles for prior-generation platforms. With the transition of the interactive entertainment software industry to next-generation video game platforms, fewer prior-generation titles are able to command premium prices, and the companies expect that even those titles that can do so will be subject to price reductions at an earlier point in their sales cycle than was the case with prior platform transitions. The companies expect the average price of prior-generation titles to continue to be under pressure, which may have a negative effect on each company's margins and operating results.

Next-generation titles for the Xbox 360, Sony's PlayStation 3 and the Nintendo Wii have been offered at premium retail prices since the launch of such consoles. Activision and Vivendi Games expect to continue to price next-generation titles at a premium level, but if they are unable to sustain launch pricing on these next-generation titles they may experience a negative effect on their respective margins and operating results.

Platform licensors are chief competitors of both Activision and Vivendi Games and frequently control the manufacturing of and have broad approval rights over each company's console and handheld video game products.

Generally, when Activision or Vivendi Games develops interactive entertainment software products for hardware platforms offered by Sony, Nintendo, or Microsoft, the products are manufactured exclusively by that hardware manufacturer or their approved replicator.

The agreements with these manufacturers include certain provisions, such as approval rights over all software products and related hardware peripherals and promotional materials and the ability to change the fee they charge for the manufacturing of products, which allow them substantial influence over the cost and the release schedule of such interactive entertainment software products. In addition, since each of the manufacturers is also a publisher of games for its own hardware platforms and manufactures products for all of its other licensees, a manufacturer may give priority to its own products or those of competitors of Activision or Vivendi Games in the event of insufficient manufacturing capacity. Accordingly, Sony, Nintendo, or Microsoft could cause unanticipated delays in the release of either company's products as well as increases to projected development, manufacturing, marketing, or distribution costs, which could materially harm the business and financial results of such company.

In addition, platform licensors control each company's ability to provide online game capabilities for console platform products and in large part establish the financial terms on which these services are offered to consumers. Currently, Microsoft provides online capabilities for the Xbox 360 and Sony provides online capabilities for PlayStation 2 and PlayStation 3 products. In each case, compatibility code and/or the consent of the licensor are required for either company to include online capabilities in its console products. As these capabilities become more significant, the failure or refusal of licensors to approve either company's products may harm the business and financial results of the affected company.

Activision and Vivendi Games may face difficulty obtaining access to retail shelf space necessary to market and sell their products effectively.

Retailers typically have a limited amount of shelf space and promotional resources, and there is intense competition among consumer interactive entertainment software products for high quality retail shelf space and promotional support from retailers. To the extent that the number of products and platforms increases, competition for shelf space may intensify and may require the companies to increase their respective marketing expenditures. Retailers with limited shelf space typically devote the most and highest quality shelf space to those products expected to be best sellers. Neither Activision nor Vivendi Games can be certain that its new products will consistently achieve such "best seller" status. Due to increased competition for limited shelf space, retailers and distributors are in an increasingly better position to negotiate favorable terms of sale, including price discounts, price protection, marketing and display fees, and product return policies. Activision's and Vivendi Games' products constitute a relatively small percentage of any retailer's sales volume. Neither Activision nor Vivendi Games can be certain that retailers will continue to purchase their respective products or to provide those products with adequate levels of shelf space and promotional support on acceptable terms. A prolonged failure in this regard may significantly harm one or both of the companies' business and financial results.

Activision's and Vivendi Games' products may be subject to legal claims.

In prior fiscal years, at least two lawsuits have been filed against numerous video game companies, including against Activision, by the families of victims who were shot and killed by teenage gunmen in attacks perpetrated at schools. These lawsuits alleged that the video game companies manufactured and/or supplied these teenagers with violent video games, teaching them how to use a gun and causing them to act out in a violent manner. These lawsuits have been dismissed. Similar additional lawsuits may be filed in the future. Although, with respect to the prior lawsuits of this nature against Activision, its general liability insurance carrier agreed to defend such suits, it is uncertain whether either company's insurance carrier would do so in the future, or if such insurance carriers would cover all or any amounts for which Activision or Vivendi Games might be liable if such future lawsuits are not decided in such company's favor. If such future lawsuits are filed and ultimately decided against either

company and the relevant insurance carrier does not cover the amounts for which such company may be liable, it could have a material adverse effect on such company's business and financial results. Payment of significant claims by insurance carriers may make such insurance coverage materially more expensive or unavailable in the future, thereby exposing one or both of the companies to additional risk.

If the products of Activision or Vivendi Games contain defects, their business could be harmed significantly.

Software products and hardware peripherals as complex as the ones published and distributed by Activision or Vivendi Games may contain undetected errors and defects. This risk is often higher when such products or peripherals are first introduced or when new versions are released. Failure to avoid, or to timely detect and correct, such errors or defects could result in loss of, or delay in, market acceptance, and could significantly harm the affected company's business, financial results, and reputation.

Activision and Vivendi Games may permit their respective customers to return products and to receive pricing concessions which could reduce net revenues and results of operations.

Activision and Vivendi Games are exposed to the risk of product returns and price protection with respect to their distributors and retailers. Return policies allow distributors and retailers to return defective, shelf-worn, and damaged products in accordance with terms granted. Price protection, when granted and applicable, allows customers a credit against amounts owed with respect to merchandise unsold by them. Activision and Vivendi Games may permit product returns from, or grant price protection to, their customers under certain conditions. These conditions include compliance with applicable payment terms, delivery of weekly inventory and sell-through reports, and consistent participation in the launches of premium title releases. The companies may also consider other factors, including the facilitation of slow-moving inventory and other market factors. When each company offers price protection, it is offered with respect to a particular product to all of such company's retail customers (although only customers who meet the conditions detailed above are entitled to such price protection). Activision also offers a 90-day limited warranty to its end users that its products will be free from manufacturing defects. Although each company maintains a reserve for returns and price protection, and although it may place limits on product returns and price protection, either company could be forced to accept substantial product returns and provide substantial price protection to maintain its relationships with retailers and its access to distribution channels. Product returns and price protection that exceed reserves could significantly harm the affected company's business and financial results.

The businesses of Activision and Vivendi Games may be burdened with payment defaults and uncollectible accounts if either company's distributors or retailers cannot honor their existing credit arrangements.

Distributors and retailers in the interactive entertainment industry have from time to time experienced significant fluctuations in their businesses and a number of them have failed. The insolvency or business failure of any significant retailer or distributor of either company could materially harm such company's business and financial results. Activision and Vivendi Games typically make sales to most such retailers and some such distributors on unsecured credit, with terms that vary depending upon the customer's credit history, solvency, credit limits, and sales history, as well as whether such company can obtain sufficient credit insurance. Although, as in the case with most customers, each of Activision and Vivendi Games has insolvency risk insurance to protect against a customer's bankruptcy, insolvency, or liquidation, this insurance contains a significant deductible and co-payment obligation, and does not cover all instances of non-payment. In addition, although Activision and Vivendi Games maintain a reserve for uncollectible receivables, the reserve may not be

sufficient in every circumstance. As a result, a payment default by a significant customer could significantly harm the affected company's business and financial results.

The businesses of Activision and Vivendi Games are subject to risks generally associated with the entertainment industry, any of which could significantly harm each company's operating results.

The business of each of Activision and Vivendi Games is subject to risks that are generally associated with the entertainment industry, including the popularity, price and timing of the release of such company's games and the platforms on which they are played; economic conditions that adversely affect discretionary consumer spending; changes in consumer demographics; the availability and popularity of other forms of entertainment; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted. Many of these risks are beyond the control of Activision or Vivendi Games. These risks could negatively impact each company's business and financial results.

Activision and Vivendi Games are exposed to seasonality in the sale of their products.

The interactive entertainment industry is highly seasonal, with the highest levels of consumer demand occurring during the calendar year end holiday buying season. As a result, net revenues, gross profits, and operating income have historically been highest during the second half of the calendar year. Receivables and credit risk are likewise higher during the second half of the calendar year as customers stock up on the companies' products for the holiday season. Further, delays in development, licensor approvals, or manufacturing can also affect the timing of the release of products, causing the affected company to miss key selling periods such as the calendar year end holiday buying season.

Activision and Vivendi Games may not be able to adequately adjust their respective cost structures in a timely fashion in response to a sudden decrease in demand.

A significant portion of each company's selling and general and administrative expense is comprised of personnel and facilities. In the event of a significant decline in revenues, Activision and Vivendi Games may not be able to exit facilities, reduce personnel, or make other changes to their respective cost structures without disruption to operations or without significant termination and exit costs. Management may not be able to implement such actions in a timely manner, if at all, to offset an immediate shortfall in revenues and profit.

If Activision and Vivendi Games do not continue to attract and retain key personnel, they will be unable to effectively conduct their respective businesses.

The success of each of Activision and Vivendi Games depends to a significant extent on each company's ability to identify, hire, and retain skilled personnel. The software industry is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with technical, marketing, sales, product development, and management skills. One or both of the companies may have difficulties in attracting and retaining skilled personnel or may incur significant costs in order to do so. If Activision or Vivendi Games is unable to attract additional qualified employees or retain the services of key personnel, its business and financial results could be negatively impacted.

The products of Activision and Vivendi Games are subject to the threat of piracy and unauthorized copying, and inadequate intellectual property laws and other protections could prevent the companies from enforcing or defending their respective proprietary technologies. Activision and Vivendi Games may also face legal risks arising out of user-generated content.

Each of Activision and Vivendi Games regards its software as proprietary and relies on a combination of copyright, patent, trademark and trade secret laws, employee and third-party nondisclosure agreements, and other methods to protect its proprietary rights. Activision and Vivendi Games own or license various copyrights, patents, and trademarks. Each company is aware that some unauthorized copying occurs, and if a significantly greater amount of unauthorized copying of its software products were to occur, it could cause material harm to such company's business and financial results.

Policing unauthorized use of the companies' products is difficult, and software piracy is a persistent problem, especially in certain countries. Further, the laws of some countries where Activision's and Vivendi Games' products are or may be distributed either do not protect their products and intellectual property rights to the same extent as the laws of the United States, or are poorly enforced. Legal protection of each company's rights may be ineffective in such countries. In addition, though each company takes steps to make the unauthorized copying and distribution of its products more difficult, as do the manufacturers of consoles on which some of those games (and a majority of those games published by Activision) are played, the efforts of each company and those of the console manufacturers may not be successful in controlling the piracy of the companies' products. Organized pirate operations have been expanding globally. In addition, the proliferation of technology designed to circumvent the protection measures used in the companies' products, the availability of broadband access to the Internet, the ability to download pirated copies of games from various Internet sites and peer-to-peer networks, and the widespread proliferation of Internet cafes using pirated copies of each company's products, all have contributed to an expansion in piracy. This could have a negative effect on each company's respective growth and profitability in the future.

Moreover, as the companies leverage their software products using technologies such as the Internet and online services, and as user-generated content increases, the ability of either Activision or Vivendi Games to protect its intellectual property rights and to avoid infringing intellectual property rights of others may diminish. Neither Activision nor Vivendi Games can be certain that existing intellectual property laws will provide adequate protection for its products in connection with these emerging technologies.

Data breaches involving the source code for Activision's and Vivendi Games' products or customer or employee data stored by the companies could adversely affect their respective reputations and revenues.

Activision and Vivendi Games store the source code for their interactive entertainment software products as it is created on multiple electronic devices. In addition, each company stores confidential information with respect to its customers and employees. A breach of the systems on which such source code, account information (including personally identifiable information) and other sensitive data is stored could lead to piracy of the affected company's software or fraudulent activity resulting in claims and lawsuits against the company in connection with data security breaches. A data intrusion into Blizzard's *World of Warcraft* servers could also disrupt the operation of *World of Warcraft*. If Activision or Vivendi Games is subject to data security breaches, it may have a loss in sales or be forced to pay damages or other amounts, which could materially and adversely affect profitability. In addition, any damage to either company's reputation resulting from a data breach could have a material adverse impact on its revenues and future growth prospects, or increased costs arising from the implementation of additional security measures.

Activision and Vivendi Games may be subject to intellectual property claims.

As the number of interactive entertainment software products increases and the features and content of these products continue to overlap, software developers increasingly may become subject to infringement claims. Many of the companies' products are highly realistic and feature materials that are based on real world examples, which may be the subject of intellectual property infringement claims of others. In addition, the companies' products often utilize complex, cutting edge technology that may become subject to emerging intellectual property rights of others. Although both Activision and Vivendi Games believe that it makes reasonable efforts to ensure that its products do not violate the intellectual property rights of others, it is possible that third parties still may claim infringement. From time to time, each company receives communications from third parties regarding such claims. Existing or future infringement claims against Activision and Vivendi Games, whether valid or not, may be time consuming, distracting to management and expensive to defend.

Intellectual property litigation or claims could force the companies to do one or more of the following:

cease selling, incorporating, or using products or services that incorporate the challenged intellectual property;

obtain a license from the holder of the infringed intellectual property, which if available at all, may not be available on commercially favorable terms; or

redesign the affected interactive entertainment software products or hardware peripherals, which could result in additional costs, delay introduction and possibly reduce commercial appeal of the affected products.

Any of these actions may cause material harm to the affected company's business and financial results.

Each of Activision's and Vivendi Games' products are subject to ratings by the Entertainment Software Rating Board and similar agencies. Either company's failure to obtain its target ratings for its products could negatively impact its sales.

The Entertainment Software Rating Board, or ESRB, is a self-regulatory body in the U.S. that provides consumers of interactive entertainment software with ratings information, including information relating to violence, nudity, or sexual content contained in software titles. Certain countries other than the U.S. have also established similar rating systems as prerequisites for product sales in those countries. In some instances, a company may be required to modify its products to comply with the requirements of the rating systems, which could delay or disrupt the release of any given product, or may prevent its sale altogether in certain territories. The relevant ESRB ratings include "Everyone" (age 6 and older), "Everyone 10+" (age 10 and older), "Teen" (age 13 and over), or "Mature" (age 17 and over). Certain of Activision's and Vivendi Games' titles have received a "Mature" rating. None of either company's titles has received the "Adults Only" rating (18 and over). Activision and Vivendi Games believe that they comply with rating systems and properly display the ratings and content descriptions received for their respective titles. If either company is unable to obtain the ratings it has targeted for its products as a result of changes in the ESRB's ratings standards or for other reasons, including the adoption of legislation in this area, the affected company's business and prospects could be negatively affected.

The business, products, and distribution of Activision and Vivendi Games are subject to increasing regulation of content in key territories. If each company does not successfully respond to these regulations, its business may suffer.

Legislation is continually being introduced that may affect both the content and the distribution of Activision's and Vivendi Games' products. For example, privacy laws in the United States and Europe impose various restrictions on the collection and storage of personal information. Those laws and regulations vary by territory. In addition, many foreign countries have laws that permit governmental entities to censor the content and/or advertising of interactive entertainment software. Other countries, such as Germany, prohibit certain types of content.

In the United States, numerous laws have been introduced at the federal and state level which attempt to restrict the content of games or the distribution of such products. For example, legislation has been adopted in several states, and proposed at the federal level, that prohibits the sale of certain games (*e.g.*, violent games or those with "M (Mature)" or "AO (Adults Only)" ratings) to minors. In addition, a number of state legislative bodies in states such as Illinois, California, Michigan, and Washington have introduced various forms of legislation designed to regulate and control sales of video games deemed inappropriate for sales to minors. Some argue that there is a link between video games and violence, which may lead to increased pressure for legislative activity. To date, most courts that have ruled on such legislation have ruled in a manner favorable to the interactive entertainment industry. But in the event such legislation is adopted and enforced, the sales of Activision's or Vivendi Games' products may be harmed because the products each company is able to offer to its customers and the size of the potential market for its products may be limited. Activision or Vivendi Games may also be required to modify certain products or alter its marketing strategies to comply with new and possibly inconsistent regulations, which could be costly or delay the release of its products.

If one or more of Activision's or Vivendi Games' titles were found to contain objectionable undisclosed content, the affected company's business could suffer.

Throughout the history of the interactive entertainment industry, many video games have been designed to include certain hidden content and gameplay features that are accessible through the use of in-game cheat codes or other technological means that are intended to enhance the gameplay experience. However, in some cases, undisclosed content or features have been found in other publishers' interactive entertainment software products. In a few cases, the ESRB has reacted to discoveries of undisclosed content and features by changing the rating that was originally assigned to the product, requiring the publisher to change the game and/or game packaging and/or fining the publisher. Retailers have on occasion reacted to the discovery of such undisclosed content by removing these games from their shelves, refusing to sell them, and demanding that their publishers accept them as product returns. Likewise, interactive entertainment software consumers have reacted to the revelation of undisclosed content by refusing to purchase such games, demanding refunds for games they have already purchased, refraining from buying other games published by the company whose game contained the objectionable material, and, in at least one occasion, filing a lawsuit against the publisher of the product containing such content.

Each of Activision and Vivendi Games has implemented preventive measures designed to reduce the possibility of objectionable undisclosed content from appearing in the video games it publishes. Nonetheless, these preventive measures are subject to human error, circumvention, overriding, and reasonable resource constraints. If a video game either company published were found to contain undisclosed content, the ESRB could demand that the game be recalled and its packaging changed to reflect a revised rating, retailers could refuse to sell it and demand the acceptance of returns of any unsold copies or returns from customers, and/or consumers could refuse to buy it, demand refunds or file lawsuits against such company. This could have a material negative impact on operating results and financial condition. In addition, such company's reputation could be harmed, which could impact sales

of its other video games. If any of these consequences were to occur, the business and financial performance of such company could be significantly harmed.

Other Risks Related to Business and Operations Following the Transaction

Historically, Activision's stock price has been highly volatile.

The trading price of Activision's common stock has been and could continue to be subject to wide fluctuations in response to many factors, including:

quarter to quarter variations in results of operations;

the announcements of new products;

competitors' announcements of new products;

product development or release schedule;

general conditions in the computer, software, entertainment, media or electronics industries, and in the economy;

timing of the introduction of new platforms and delays in the actual release of new platforms;

hardware manufacturers' announcements of price changes in hardware platforms;

consumer spending trends;

the outcome of lawsuits or regulatory investigations in which Activision is involved;

changes in earnings estimates or buy/sell recommendations by analysts;

sales or acquisitions of common stock by Activision Blizzard's directors, executive management, or Vivendi and its affiliates; and

investor perceptions and expectations regarding products, plans and strategic position, and those of the company's competitors and customers.

In addition, the public stock markets may experience extreme price and trading volume volatility, particularly in high technology sectors of the market. This volatility has significantly affected the market prices of securities of many technology companies for reasons often unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of Activision Blizzard common stock after completion of the transaction.

The requirements of integrating and maintaining internal controls at the combined company may strain Activision Blizzard's resources and divert management's attention, and if we fail to establish and maintain proper internal controls, the combined company's ability to produce accurate financial statements or comply with applicable regulations could be impaired.

As a result of the transaction, Vivendi Games, which is a privately-held company, will become a wholly-owned subsidiary of Activision Blizzard and thus will become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act of 2002 and the rules and regulations of the National Association of Securities Dealers. The requirements of these rules and regulations will increase Activision Blizzard's legal, accounting and financial compliance costs, will make some activities more difficult, time-consuming and

costly and may also place undue strain on the combined company's personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that a company maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain the effectiveness of Activision Blizzard's disclosure controls and procedures and internal controls over

financial reporting during the integration process following the transaction, Activision Blizzard will need to expend significant resources and provide significant management oversight. The combined company has a substantial effort ahead of it to implement appropriate processes, implement and document a comprehensive and uniform system of internal controls over relevant processes of the combined company, assess their design, remediate any deficiencies identified and test their operation. As a result, management's attention may be diverted from other business concerns, which could harm the combined company's business, operating results and financial condition. These efforts will also involve substantial accounting-related costs. In addition, if the combined company is unable to continue to meet these requirements, it may not be able to remain listed on NASDAQ.

Implementing any appropriate changes to internal controls or integrating existing procedures may require specific compliance training of its officers and employees, entail substantial costs in order to modify its existing accounting systems, and take a significant period of time to complete. These actions may not, however, be effective in establishing the adequacy of its internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase Activision Blizzard's operating costs and could materially impair its ability to operate the business. In the event that the combined company is not able to demonstrate compliance with Section 404 of the Sarbanes-Oxley Act in a timely manner, that its internal controls are perceived as inadequate or that it is unable to produce timely or accurate financial statements, investors may lose confidence in Activision Blizzard's operating results and its stock price could decline.

Changes in tax rates or exposure to additional tax liabilities could adversely affect Activision Blizzard's operating results and financial condition.

Activision Blizzard will be subject to income taxes in the United States and in various other jurisdictions. Significant judgment is required in determining the company's worldwide provision for income taxes and, in the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Activision is, and the combined company will be, required to estimate future taxes. Although Activision currently believes its tax estimates are reasonable, the estimate process is inherently uncertain, and such estimates are not binding on tax authorities. The effective tax rate could be adversely affected by changes in the business, including the mix of earnings in countries with differing statutory tax rates, changes in tax elections, and changes in applicable tax laws, as well as other factors. Further, tax determinations are regularly subject to audit by tax authorities and developments in those audits could adversely affect the combined company's income tax provision. Should the ultimate tax liability exceed estimates, the combined company's income tax provision and net income could be materially affected.

Activision is, and Activision Blizzard will be, also required to pay taxes other than income taxes, such as payroll, sales, use, value-added, net worth, property, and goods and services taxes, in both the United States and various other jurisdictions. Tax authorities regularly examine these non-income taxes. There can be no assurance that the outcomes from these examinations, changes in the business or changes in applicable tax rules will not have an adverse effect on the company's operating results and financial condition.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to: (a) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow projections or other financial items; (b) statements of our plans and objectives, including those relating to product releases; (c) statements of future economic performance; and (d) statements of assumptions underlying such statements. We generally use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "future," "intend," "may," "outlook," "plan," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "to be," "upcoming," "will" and other similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict. Our actual results could differ materially.

Factors that could cause actual future results to differ materially from those expressed in the forward-looking statements set forth in this proxy statement include, but are not limited to, the timing and successful completion of the transaction (including the timing and receipt of stockholder and regulatory approvals and the satisfaction of other closing conditions), Activision Blizzard's success in executing planned strategies and achieving assumed synergies and cost savings, sales of each company's titles, shifts in consumer spending trends, the seasonal and cyclical nature of the interactive game market, the ability of Activision Blizzard to predict consumer preferences among competing hardware platforms (including next-generation hardware), declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision Blizzard's products, adoption rate and availability of new hardware and related software, industry competition, rapid changes in technology and industry standards, protection of proprietary rights, maintenance of relationships with key personnel, customers, vendors and third-party developers, international economic and political conditions, integration of recent acquisitions and identification of suitable future acquisition opportunities, and foreign exchange rate changes.

The forward-looking statements contained herein speak only as of the date on which they were made, and we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this proxy statement. For further details and a discussion of these and other risks and uncertainties, see the section of this proxy statement entitled "Risk Factors."

**CAUTIONARY STATEMENT CONCERNING INFORMATION OF
VIVENDI AND ITS AFFILIATES**

Except as specifically described herein, the information concerning Vivendi, Vivendi Games and their affiliates contained in this proxy statement has been taken from or is based upon information furnished by Vivendi or its representatives. Activision has no knowledge that would indicate that any statements contained herein based on such documents and records are untrue. However, neither Activision nor any of its affiliates assumes any responsibility for the accuracy, currency or completeness of the information furnished by Vivendi concerning Vivendi, Vivendi Games or their affiliates.

THE SPECIAL MEETING

Date, Time and Place

The special meeting of Activision stockholders will be held on _____, _____, 2008 at _____, local time, at _____. We are delivering these proxy materials to you in connection with the solicitation of proxies by our board of directors for use at the special meeting and any adjournment or postponement thereof.

Purpose of the Special Meeting

At the special meeting, you will be asked to consider and vote on:

Proposal No. 1: To approve the issuance of an aggregate of approximately 358.2 million new shares of Activision common stock, in connection with (a) the merger of a wholly-owned subsidiary of Activision with and into Vivendi Games, and (b) the purchase of shares of Activision common stock by Vivendi;

Proposal No. 2: To approve the amendment and restatement of Activision's certificate of incorporation, including, without limitation, the approval of the following subproposals:

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

2B a proposal to increase the number of authorized shares of capital stock from four hundred fifty-five million (455,000,000) to one billion two hundred five million (1,205,000,000);

2C a proposal to eliminate the Series A Junior Preferred Stock;

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

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

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

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

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

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

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

2K a proposal to establish procedures governing affiliate transactions; and

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

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Proposal No. 3: To approve the amendment of Section 7.4(a) of Activision's bylaws to restrict the amendment of additional sections of the bylaws without stockholder approval, as described in more detail in this proxy statement; and

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

You may also be asked to act on other business, if any, that may properly come before the special meeting (or any adjournment or postponement thereof). We currently do not anticipate that any other business will be presented at the special meeting

Approval of Proposal No. 1 the share issuance proposal, Proposal No. 2 the charter amendment proposal (including each of the related subproposals under Proposal No. 2) and Proposal No. 3 the bylaw amendment proposal, is required for the completion of the transaction. Accordingly, if you wish to approve the transaction, you must vote "FOR" each of Proposals Nos. 1, 2 (including the related subproposals under Proposal No. 2) and 3.

Proposal No. 4 the adjournment proposal is not required to complete the transaction. If the transaction is not completed, the amendment and restatement of our certificate of incorporation specified in Proposal No. 2 (including all related subproposals except for the subproposal related to the increase in the number of authorized shares of capital stock), and the amendment of Section 7.4(a) of our bylaws specified in Proposal No. 3, will be abandoned and will not become effective.

Record Date; Stock Entitled to Vote

You are entitled to receive notice of, and vote at, the Activision special meeting (and any adjournment or postponement thereof) only if you were a stockholder of Activision at the close of business on _____, 2008, the record date for the special meeting.

At the close of business on the record date, _____ shares of Activision common stock were outstanding and entitled to vote. Each share of Activision common stock outstanding on the record date will be entitled to one (1) vote on each matter presented for action at the special meeting. No other shares of Activision capital stock are entitled to notice of and to vote at the special meeting.

Attending the Meeting

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at _____, local time.

If you are an Activision stockholder of record, an admission ticket is enclosed with your proxy card. If you wish to attend the special meeting, please vote your proxy but keep the admission ticket and bring it with you to the special meeting.

If your shares are held in "street name" by a bank, broker or other nominee record holder, and you wish to attend the special meeting, you need to bring a copy of a bank or brokerage statement to the special meeting reflecting your stock ownership as of the record date.

Voting Procedures

Submitting Proxies or Voting Instructions

Whether you hold shares of Activision common stock directly as a stockholder of record or in "street name," you may direct the voting of those shares without attending the special meeting. You

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may vote Activision shares directly by granting proxies or, for shares held in "street name," by submitting voting instructions to your bank, broker or other nominee record holder.

If you hold your shares directly as an Activision stockholder of record, you may submit a proxy by voting in person at the special meeting or by using one of the following methods:

Telephone Voting, by calling the telephone number shown on your proxy card and following the instructions on your proxy card;

Internet Voting, by going to the web address <https://www.continentalstock.com> and following the instructions on your proxy card; or

Mail, by completing, dating, signing and returning your proxy card in the enclosed return envelope; the envelope requires no additional postage if mailed in the United States.

To ensure that your proxy is voted, a telephonic or Internet vote must be received by 7:00 p.m. Eastern time the day prior to the special meeting; a vote on a physical proxy card must be received prior to the closing of the polls at the special meeting.

By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions.

If you are an Activision stockholder of record you may also vote in person at the special meeting by submitting your proxy card or by filling out a ballot at the special meeting.

If your Activision shares are held in "street name" by a bank, broker or other nominee record holder, you must follow the voting instructions on the form you receive from that institution. Although most banks and brokers now offer telephone and Internet voting, availability and specific procedures will depend on their voting arrangements. If your shares are held in "street name" by a bank, broker or other nominee record holder and you wish to vote in person at the special meeting, you must request a legal proxy from your bank, broker or other nominee record holder and present that proxy and proof of identification at the special meeting.

Revoking Proxies or Voting Instructions

If you hold your shares directly as an Activision stockholder of record, you may revoke your proxy at any time before it is exercised at the Activision special meeting by:

delivering a written notice of revocation, dated later than the proxy, to Activision's Corporate Secretary;

completing, signing and submitting a new, valid proxy card bearing a later date (which automatically revokes any earlier proxy) to Activision's Corporate Secretary;

submitting a new proxy by telephone or via the Internet (your latest telephone or Internet voting instructions will be followed), before 7:00 p.m. Eastern time on _____, 2008; or

attending the Activision special meeting and voting in person. However, your attendance at the special meeting in and of itself will not cause your previously granted proxies to be revoked. In order to revoke any prior proxies, you must hand deliver a written revocation notice, or a later dated proxy, to Activision's Corporate Secretary at the special meeting before a vote is taken at the special meeting.

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Any written notice of revocation or later dated proxy should be delivered to:

Activision, Inc.
Attn.: George Rose, Corporate Secretary
3100 Ocean Park Boulevard
Santa Monica, California 90405

If your shares are held in "street name," and you have instructed a bank, broker or other nominee record holder to vote your shares, you must follow the instructions you receive from your bank, broker or other nominee record holder in order to change or revoke your vote. You may also change your vote by attending the special meeting and voting in person provided that you have obtained a signed proxy from the record holder (*i.e.*, your bank, broker or other nominee record holder) giving you the right to vote those shares.

Proxies; Counting Your Vote

If you provide specific voting instructions, your shares will be voted at the special meeting in accordance with your instructions. If you hold your shares directly as an Activision stockholder of record and sign and return a proxy card or submit a proxy by telephone or via the Internet without giving specific voting instructions, your shares will be voted as follows:

"FOR" approval of Proposal No. 1 the share issuance proposal;

"FOR" approval of Proposal No. 2 the charter amendment proposal;

"FOR" approval of Proposal No. 3 the bylaw amendment proposal; and

"FOR" approval of Proposal No. 4 the adjournment proposal.

Quorum

The presence of the holders of a majority of all of the shares of capital stock of Activision entitled to vote at the special meeting is necessary to establish a quorum at the special meeting. Stockholders are counted as present at the special meeting if they are present in person or are represented by proxy. Shares of Activision common stock subject to abstentions as well as broker non-votes will be treated as present at the special meeting and will therefore be counted toward establishing the presence of a quorum.

Votes Required

Vote Required to Approve Proposal No. 1 The Share Issuance Proposal

The affirmative vote of the holders of a majority of the votes cast affirmatively or negatively is required to approve Proposal No. 1 the share issuance proposal. **The approval of Proposal No. 1 is a condition to the completion of the transaction; thus, a vote against this proposal effectively will be a vote against the transaction.**

Vote Required to Approve Proposal No. 2 (Including Each of the Related Subproposals) The Charter Amendment Proposal

The affirmative vote of the holders of a majority of the outstanding shares of Activision common stock entitled to vote is required to approve Proposal No. 2 the charter amendment proposal. **The approval of Proposal No. 2 is a condition to the completion of the transaction; thus, a vote against this proposal (or any of the related subproposals) effectively will be a vote against the transaction.**

Vote Required to Approve Proposal No. 3 The Bylaw Amendment Proposal

The affirmative vote of the holders of at least a majority of the outstanding shares of Activision common stock entitled to vote is required to approve Proposal No. 3 the bylaw amendment proposal. **The approval of Proposal No. 3 is a condition to the completion of the transaction; thus, a vote against this proposal effectively will be a vote against the transaction.**

Vote Required to Approve Proposal No. 4 The Adjournment Proposal

The affirmative vote of the holders of a majority of the votes cast affirmatively or negatively is required to approve Proposal No. 4 the adjournment proposal.

Abstentions and Broker Non-Votes

Proposals Nos. 1 and 4. The vote required to approve the share issuance proposal and the adjournment proposal is based upon the number of shares actually voted (rather than upon a percentage of the shares of Activision common stock outstanding as of the record date). Therefore, your failure to vote any of your shares of Activision common stock on Proposals Nos. 1 and 4 will have no effect on the outcome of the vote for these proposals. Similarly, abstentions and broker non-votes will not affect the outcome of the vote on these proposals, because they will be counted in determining the presence of a quorum but they will not be considered to be voted for purposes of Proposals Nos. 1 and 4.

Proposals Nos. 2 (including all related subproposals) and 3. The vote required to approve the charter amendment proposal (including each of the related subproposals), and the bylaw amendment proposal is based upon a percentage of the shares of Activision common stock outstanding as of the record date (rather than upon the number of shares actually voted). Therefore, your failure to vote any of your shares of Activision common stock on Proposals Nos. 2 (including related subproposals) or 3 will have the same effect as a vote **against** these proposals. Similarly, abstentions will have the same effect as a vote **against** Proposals Nos. 2 (including related subproposals) and 3. If you fail to instruct your bank, broker or other nominee record holder on how to vote any of your shares of Activision common stock with respect to Proposals Nos. 2 (including related subproposals) and 3, the resulting broker non-vote will also be counted as a vote **against** these proposals.

Adjournments

If a quorum is not present at the special meeting, the special meeting may be adjourned until a quorum is present or represented. In addition, the officer presiding at the special meeting may propose one or more adjournments of the special meeting to permit further solicitation of proxies in favor of Proposals Nos. 1, 2 (including all related subproposals) and 3. Any such adjournment will require the affirmative vote of the holders of a majority of the votes cast affirmatively or negatively at the special meeting and may be for up to thirty (30) days without further notice (unless a new record date is fixed for the adjourned special meeting), other than by an announcement made at the special meeting.

Voting by Activision Directors and Executive Officers

On the record date for the Activision special meeting, directors and executive officers of Activision and their affiliates owned and were entitled to vote _____ shares of Activision common stock, or approximately _____ % of the total voting power of the shares of Activision common stock outstanding on that date.

Solicitation of Proxies; Payment of Solicitation Expenses

The solicitation of proxies from Activision stockholders is being made on behalf of the Activision board of directors. Activision will bear all costs and expenses associated with printing and mailing this proxy statement as well as all fees paid to the SEC. Activision will also pay the costs of soliciting and obtaining proxies from Activision stockholders, including the cost of reimbursing brokers, banks and other financial institutions for forwarding proxy materials to their customers. In addition to the mailing of these proxy materials, proxies may be solicited in person or by mail, telephone, fax, personal interviews or other methods of communication by Activision's directors, officers and employees, who will not receive any additional compensation for these solicitation activities.

Activision has retained the firm of Morrow & Co. to assist Activision in the distribution and solicitation of proxies from Activision stockholders. Activision estimates that it will pay Morrow approximately \$25,000 plus out-of-pocket expenses. Activision has also made arrangements with Innisfree M&A Incorporated to assist in soliciting proxies and estimates that it will pay Innisfree approximately \$25,000 plus out-of-pocket expenses.

Recommendation of the Board of Directors

The Activision board of directors has unanimously approved (a) the share issuance proposal, (b) the charter amendment proposal, and (c) the bylaw amendment proposal.

Based on Activision's reasons for the transaction described in this proxy statement, the Activision board of directors believes that that the business combination agreement and all related documents and exhibits thereto are in the best interests of Activision and its stockholders and recommends that you vote

"FOR" approval of Proposal No. 1 the share issuance proposal;

"FOR" approval of Proposal No. 2 (including each of the related subproposals) the charter amendment proposal;

"FOR" approval of Proposal No. 3 the bylaw amendment proposal; and

"FOR" approval of Proposal No. 4 the adjournment proposal.

Contact for Questions and Assistance in Voting

If you have additional questions about the transaction after reading this proxy statement, or if you need assistance in submitting your proxy or voting your shares, or if you need additional copies of the proxy statement or the enclosed proxy card, please contact:

Morrow & Co., LLC
470 West Avenue
Stamford, CT 06902
Individuals in the U.S. and Canada please call toll-free:
(800) 573-4804
Banks and brokerage firms please call: (203) 658-9400
International holders please call:
(203) 658-9400 (collect)

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
Individuals in the U.S. and Canada please call toll-free:
(877) 456-3422
Banks and brokerage firms please call: (212) 750-5833
International holders please call:
(412) 232-3651 (collect)

THE TRANSACTION

The following is a description of the material aspects of the transaction, including the business combination agreement. While we believe that the following description covers the material terms of the transaction, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement, including the business combination agreement attached as Annex A to this proxy statement, for a more complete understanding of the transaction.

Background of the Transaction

On an annual basis, Activision reviews its strategic business plan, including any strategic growth alternatives which could significantly accelerate the achievement of its long-term growth objectives. In the course of the strategic planning reviews conducted during the June to September 2006 period, senior management of Activision identified potential strategic opportunities that could create larger scale in international geographies as well as facilitate entry into high growth market segments, particularly MMOG, as one of Activision's top priorities to further accelerate its growth and operating margin expansion. Such strategic opportunities included potential business combinations with public and private companies in the interactive entertainment industry, strategic partnerships and alliances, investments in software development studios, and key license transactions. During the 2006 strategic planning process, Activision specifically evaluated 17 potential acquisition targets, of which 8 (including Vivendi Games) were evaluated as potential entry opportunities into the MMOG market.

During the months of November and December 2006, Bruce L. Hack, the Chief Executive Officer of Vivendi Games, and Robert A. Kotick, Chairman and Chief Executive Officer of Activision, had several informal telephone conversations about a potential transaction, but no terms or proposals were discussed.

On January 10, 2007, Messrs. Kotick, Hack, Brian G. Kelly, Co-Chairman of Activision, Jean-Bernard Lévy, Chairman and Chief Executive Officer of Vivendi, and René Pénisson, a Vivendi director and Chairman of Vivendi Games, attended a dinner. At this dinner, the parties discussed the possibility of combining the respective businesses of Activision and Vivendi Games, but no terms or proposals were exchanged.

In a series of meetings and discussions between January and March 2007, after consideration of various strategic planning alternatives described above and in light of Vivendi's interest in combining the respective businesses of Activision and Vivendi Games, Activision continued pursuing discussions regarding the potential acquisition of, or partnership with, Vivendi Games as a possible means to accomplish Activision's long-term growth objectives identified during its most recent strategic planning reviews.

In March 2007, Mr. Kotick had several conversations with Mr. Hack, who outlined a conceptual proposal in which the respective businesses of Activision and Vivendi Games would be combined and Vivendi would become the majority stockholder of Activision. No formal proposal or terms were discussed during these conversations, although Mr. Hack did indicate that Vivendi would be willing to pay a control premium with respect to its acquisition of Activision common stock. Additionally, during March 2007, Allen & Company was engaged to act as Activision's financial advisor in connection with reviewing and evaluating (a) Activision's financial condition and historical and projected financial results, (b) Activision's current operations and business prospects, (c) the current condition of the industry, as well as any prevailing trends, and Activision's competitive position therein and (d) among other things, a potential transaction. On March 13, 2007, Vivendi, Vivendi Games and Activision entered into a confidentiality agreement, governing the exchange of any non-public information with regard to the parties and designating (a) Messrs. Lévy, Pénisson, de Metz, Hack or any of their designees as the appropriate contact persons for information regarding Vivendi and Vivendi Games,

and (b) Messrs. Kotick, Kelly or any of their designees as the appropriate contact persons for information regarding Activision.

On March 29, 2007, Messrs. Lévy, Pénisson and Hack, along with Robert de Metz, Vivendi's head of business development, met with Messrs. Kotick and Kelly to reiterate Vivendi's interest in discussing a potential combination of the respective businesses of Activision and Vivendi Games. Mr. Lévy also confirmed Vivendi's willingness to pay a control premium with respect to its acquisition of Activision common stock.

Over the next several days, Messrs. Kotick and Hack discussed scheduling a meeting in New York, with the companies' respective legal and financial advisors, at which time Vivendi would present a summary overview of the Vivendi Games business, including a preliminary view with respect to its valuation, and a preliminary proposal with respect to the combination of Activision and Vivendi Games. It was determined to hold such a meeting on April 12, 2007.

On April 12, 2007, Activision's management, including Messrs. Kotick, Kelly, Michael J. Griffith, President and Chief Executive Officer of Activision Publishing, and Thomas Tippl, Chief Financial Officer of Activision Publishing, met with members of Vivendi's management, including Messrs. Lévy, Pénisson, Hack, de Metz, and Jean-François Grollemund, Vivendi Games' Chief Financial Officer. Representatives from Activision's financial and legal advisors, Allen & Company and Skadden, Arps, Slate, Meagher & Flom LLP, respectively, attended the meeting, as did Vivendi's financial and legal advisors, Goldman, Sachs & Co. and Gibson, Dunn & Crutcher LLP, respectively.

At the meeting, Vivendi presented a preliminary proposal pursuant to which (a) Vivendi Games would be merged with and into a subsidiary of Activision in exchange for Activision common stock, (b) Vivendi would purchase an additional \$1.1 billion of Activision common stock, (c) immediately prior to such transactions, Activision would pay a special cash dividend to its stockholders totaling approximately \$1.1 billion and (d) certain Activision employees would enter into new employment agreements agreeable to each employee, Activision and Vivendi. Under Vivendi's proposal, Activision's common stock would be valued at a 20% premium for purposes of the merger and the share purchase, and, after giving effect to the transactions, Vivendi would hold approximately 60% of Activision's outstanding shares of common stock on a fully diluted basis. As of April 12, 2007 such a premium would have resulted in a valuation of Activision's common stock at \$23.38 per share.

On April 20, 2007, Allen & Company presented Goldman Sachs with an alternative preliminary proposal on behalf of Activision, which provided that (a) Vivendi Games would be merged with and into a subsidiary of Activision in exchange for \$6.0 billion of Activision common stock, (b) Vivendi would purchase an additional amount of Activision common stock for \$1.36 billion, and (c) upon completion of the merger and share purchase, Activision would commence a cash self-tender offer to purchase a portion of its outstanding common stock. The proposal further provided that, for purposes of the merger, share purchase and tender offer, Activision's common stock would be valued at a 35% premium over the 10-day trading average prior to signing and that Vivendi would not participate in the tender offer. As of April 20, 2007, such a premium would have resulted in a valuation of Activision's common stock at \$26.56 per share. In addition, Activision proposed that it would issue warrants to Vivendi that would permit Vivendi to purchase up to an additional 5% of Activision's outstanding common stock at the same per share transaction price.

On April 25, 2007, Allen & Company and Goldman Sachs held a telephonic meeting to clarify the details and methodologies used by each in their clients' respective preliminary proposals.

On April 30, 2007, Activision's board of directors held a regular meeting, for part of which representatives from Allen & Company also participated telephonically. At this meeting, the representatives from Allen & Company reviewed with the board the currently proposed terms and discussed various factors relating to the proposed transaction, including the proposed premiums, the strategic rationale for the transaction, negotiation strategies, and certain market factors. The board was

also advised with respect to its fiduciary duties under Delaware law in connection with its consideration of the proposed transaction. The Activision board of directors did not resolve to take any specific action, but rather decided to convene again in the near future with its advisors to further discuss the proposed transaction.

At the board meeting, Activision's board of directors also considered the fact that senior management had conversations over the past two years with a number of potential public and private companies in the interactive entertainment industry regarding potential business combination transactions, none of which led to any substantive discussions or was as attractive to Activision as a potential transaction with Vivendi Games. In light of such discussions, the board determined the announcement of a proposed transaction with Vivendi Games, rather than a direct solicitation of other potential bidders that senior management had held discussions with and did not lead to any alternative proposals, would be the most effective means of eliciting substantive offers from other third parties, if any, that were interested in pursuing a transaction with Activision.

Throughout the months of April and May, representatives from Allen & Company and Goldman Sachs met several times to discuss variations of the proposed transaction, each with similar features consisting of: (a) an acquisition of Vivendi Games in exchange for shares of Activision common stock; (b) the purchase of additional shares of Activision common stock by Vivendi; (c) a post-closing self-tender offer conducted by Activision for its outstanding shares of common stock; and (d) the use of the same per share transaction price, including the same control premium, in each step of the proposed transaction; we collectively refer to these tenets in this proxy statement as the "basic principles." The variations discussed by Allen & Company and Goldman Sachs during these meetings primarily involved (x) the premium to be paid with respect to Activision's common stock in connection with the proposed merger, share purchase and tender offer; and (y) the aggregate number of shares to be tendered for by Activision in the post-closing tender offer.

On May 11, 2007, at a regular meeting of the Activision board of directors, which was also attended by representatives of Skadden Arps, senior management presented the board of directors with an update of the status of discussions with Vivendi. At this meeting, representatives from Skadden Arps advised the board of directors on their fiduciary duties under Delaware law in connection with consideration of the potential transaction, as well as various other legal and regulatory issues that might arise in connection with the potential transaction. The board also discussed the possibility of creating a committee comprised of independent directors to assist the board with its review and evaluation of the proposed transaction and alternative transactions by working with management and Activision's legal and financial advisors, and to make a recommendation to the board as to whether the proposed transaction or any other alternative was in the best interests of Activision and its stockholders.

After discussion and debate, the Activision board of directors authorized its nominating and corporate governance committee, or NCGC, comprising Robert Corti, Robert Morgado and Richard Sarnoff, on behalf of Activision (a) to review, evaluate, respond to and negotiate with respect to the proposed transaction and any other alternative transaction, offer or expression of interest in a possible business combination with Activision, if made; (b) to recommend to the board of directors a course of action, business combination or similar agreement in connection with the proposed transaction and any other proposal (noting that action by the entire board of directors would be required to pursue any course of action or enter into any business combination or similar agreement with any party); (c) to hire and retain, at the expense of Activision, such legal counsel as the NCGC deemed necessary and appropriate to advise the committee in furtherance of its responsibilities; and (d) to hire and retain, at Activision's expense, such financial advisors or experts as it deemed appropriate to advise the committee in furtherance of its responsibilities. The NCGC was not obligated to recommend or adopt any transaction or any other course of action, including the potential transaction with Vivendi Games.

At this meeting, the Activision board of directors expressed its belief that the involvement of the NCGC in the process of evaluating the proposed transaction was prudent in light of any potential

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conflict that might arise concerning management's role in any such transaction. Further, it was stipulated that the NCGC could meet from time to time without a quorum and without full board participation to assist during the process of evaluating the proposed transaction.

Also on May 11, 2007, the NCGC held a telephonic meeting at which it discussed its objectives and how to best proceed on evaluating the proposed transaction. The NCGC decided to arrange a meeting with Allen & Company for the purpose of updating the committee regarding the current status of negotiations regarding the proposed transaction and discussing possible counter-proposals, transaction structures and other alternatives aimed at, among other things, maximizing stockholder value and ensuring that Activision's stockholders would receive a control premium if a change in control transaction were to take place. The NCGC did not resolve to take any specific action, but decided to convene again in the near future with its advisors to further study the proposed transaction.

On each of May 16, 2007 and May 22, 2007, the NCGC held meetings with representatives from Allen & Company and Skadden Arps, as well as Messrs. Kotick and Kelly, to discuss the various proposals, the basic principles and the proposed transaction terms as discussed between Allen & Company and Goldman Sachs throughout April and May.

In particular, the NCGC reviewed the terms of a May 1, 2007 proposal delivered by Goldman Sachs on behalf of Vivendi, which (a) valued Activision's common stock at \$25.00 per share; (b) valued Vivendi Games at \$7.45 billion and (c) provided for the purchase by Vivendi of an additional \$1.5 billion of Activision common stock and a post-closing tender offer for up to \$1.5 billion of Activision common stock. The NCGC also reviewed a May 4, 2007 counter-proposal delivered by Allen & Company on behalf of Activision, which (a) valued Activision's common stock at a 32% premium based on the 10-day trading average prior to signing, (b) valued Vivendi Games at approximately \$6.9 billion, and (c) provided for the purchase by Vivendi of an additional \$2.0 billion of Activision common stock and a post-closing tender offer for up to \$2.0 billion of Activision common stock. Further, the NCGC reviewed a May 14, 2007 revised proposal delivered by Goldman Sachs on behalf of Vivendi, which (a) provided that the relative value of Activision and Vivendi Games would be pegged at a ratio rather than a fixed price, and (b) valued Activision's common stock at \$25.50 per share which in turn created an implied value of Vivendi Games of \$7.35 billion. The May 14th Goldman Sachs proposal further provided that Vivendi would purchase an additional \$1.6 billion of Activision common stock and that Activision would conduct a post-closing tender offer for up to \$1.6 billion of Activision common stock at the same \$25.50 per share transaction price. After discussion of these proposals, the NCGC recommended that Activision and its representatives should continue discussions with Vivendi to explore means of (a) ensuring that stockholders receive a control premium if a change of control were to occur, and (b) protecting existing stockholders in the event that Activision's common stock traded below the per share transaction price after the closing of the proposed transaction. After discussion, the NCGC authorized Allen & Company to present a revised proposal to Goldman Sachs.

On May 23, 2007, Allen & Company presented Goldman Sachs with Activision's revised proposal, as discussed with the NCGC, which confirmed the use of a fixed ratio that would set the per share transaction price at \$25.50, valued Vivendi Games at approximately \$7.75 billion and required Vivendi to fund a potential cash distribution to non-Vivendi stockholders equal to the difference between the trading price at closing and the \$25.50 per share transaction price.

On May 29, 2007, Mr. Kotick had a telephone call with Mr. Lévy during which Mr. Lévy indicated that Vivendi would consider Activision's May 23rd proposal, but would prefer to maintain the basic principles.

On June 6, 2007, Goldman Sachs delivered a revised Vivendi proposal following the basic principles and proposing a \$24.75 per share transaction price (representing a 30% premium to the then-current trading price of Activision common stock). Accordingly, the proposal resulted in a

\$1.6 billion purchase of shares by Vivendi and an approximate \$2.5 billion post-closing tender offer, which would be funded with the cash contributed by Vivendi as well as Activision's cash on-hand.

On June 11, 2007, Mr. Lévy telephoned Mr. Kotick to advise him that, due to the meaningful differences between the two companies' proposals and lack of any apparent progress, he did not think it made sense to continue discussions concerning a possible transaction at that time.

On June 15, 2007, the members of the NCGC, along with Messrs. Kotick and Kelly, held a meeting and the NCGC recommended that, if negotiations were to continue, Activision and its representatives should attempt to increase the aggregate size of the cash tender offer to ensure that the tender offer would provide liquidity to Activision's stockholders for a minimum of 50% of Activision's outstanding shares of common stock. In particular, the NCGC considered that such a tender offer would offer the flexibility of not requiring Activision stockholders to tender any or all of their shares in the tender offer, thereby allowing Activision stockholders the option not to tender their shares in the tender offer if they were able to achieve a higher price in the market or otherwise desired to retain ownership of their shares of the combined company. The NCGC directed management and its representatives to inform Vivendi that Activision remained interested in discussing a potential transaction.

While these discussions were ongoing, the compensation committee of the Activision board of directors retained Shearman & Sterling LLP, or S&S, to serve as its counsel generally during the week of June 4, 2007. At a compensation committee meeting held on June 13, 2007, Robert J. Morgado, chairman of the compensation committee and of the NCGC, recommended commencing a negotiation process with Messrs. Kotick and Kelly with a goal of entering into new employment agreements by year-end 2007, as their existing agreements were scheduled to expire in early 2008 and certain amendments relating to compliance with Section 409A of the Internal Revenue Code were, at that time, required before year-end. During this meeting, the compensation committee discussed the proposed structure of the executive compensation packages and the roles of Messrs. Kotick and Kelly on a going forward basis, and authorized Mr. Morgado to begin discussions.

Over the next few weeks, Messrs. Lévy, Pénisson, Kotick and Kelly participated in several telephonic and in-person meetings concerning reinitiating discussions about a possible transaction.

On June 27 and 28, 2007, Messrs. Lévy, Pénisson, Kotick and Kelly met in Paris to discuss whether the parties should try to re-engage in discussions regarding a possible transaction. Mr. Lévy indicated that he believed Activision needed to respond to Vivendi's June 6th proposal in order for Vivendi to determine if further discussions were warranted. Mr. Kotick advised the Vivendi team that he would discuss the matter with the NCGC and hoped to have a response within two weeks.

On July 8, 2007, Mr. Kotick telephoned Mr. Lévy to present Activision's counter-proposal. The principal terms of Activision's proposal were generally consistent with the basic principles. Further, based upon Activision's then-current stock price, Mr. Kotick indicated that a per share transaction price of \$24.75 would be carefully considered. Activision additionally proposed an increase in the size of the tender offer from \$2.5 billion to \$3.5 billion, which would be funded as follows: (a) the first \$2.4 billion would be funded by the proceeds of the share purchase and Activision's cash on hand; (b) the next \$700 million would be funded by Vivendi's purchasing additional shares of Activision common stock at the \$24.75 per share transaction price; and (c) the remaining \$400 million would be funded from a new credit facility to be obtained by Activision. This counter-proposal confirmed the move from a formula based valuation to a fixed per share transaction price and contemplated a self-tender offer for approximately half of Activision common stock then-issued and outstanding.

On July 10, 2007, Mr. Lévy advised Mr. Kotick that the terms of Activision's July 8th proposal were generally acceptable to Vivendi, subject to both sides completing satisfactory due diligence and acceptable documentation, and that Vivendi was willing to re-engage in negotiations around a possible

transaction on the basis of the July 8th proposal. Mr. Lévy and Mr. Kotick then discussed initiating a reciprocal due diligence process and a timeline for further discussions and negotiations.

On July 12, 2007, at a special meeting of the Activision board of directors, which was also attended by representatives from Allen & Company and Skadden Arps, senior management presented the board of directors with an update of the status of discussions with Vivendi. During this meeting, senior management and the board discussed engaging an outside consultant to assist in (a) evaluating the sustainability of Blizzard Entertainment's subscriber base, including, among other things, an analysis of subscriber churn rates, sources of subscribers and acquisition costs per subscriber and (b) identifying near-term and potential longer-term threats to Blizzard Entertainment's core subscriber base.

Throughout the months of July and August, the parties and their legal advisors prepared and negotiated drafts of the business combination agreement and ancillary transaction documents and the parties and their advisors and consultants continued to conduct business, financial, accounting and legal due diligence. In addition, during such period, Activision engaged outside consultants who began a preliminary due diligence review of Blizzard Entertainment.

On August 13, 2007, August 23, 2007 and September 7, 2007, representatives of Activision's outside consultants presented to senior management of Activision their preliminary due diligence findings, which discussed, among other things, an assessment of Blizzard Entertainment's subscriber base and its business model.

On August 14, 2007, Vivendi Games conducted an all-day management presentation to members of Activision's management and its financial and legal advisors in Los Angeles. Vivendi Games provided detailed information with respect to the historic and anticipated operating results of each of its divisions and included descriptions of their anticipated product offerings and operational systems and demonstrations of gameplay. Vivendi Games' management responded to numerous questions from Activision and its advisors throughout the course of the day.

On August 26, 2007, Activision made a comparable management presentation to Vivendi and Vivendi Games management and Vivendi's financial and legal advisors in New York. Activision's management provided similar historic and anticipated operating results, as well as information on anticipated product offerings and demonstrations of gameplay.

On August 27, 2007, Messrs. Lévy, Pénisson, Kotick and Kelly met to discuss open issues on the business combination agreement as well as certain issues regarding post-transaction corporate governance of Activision and Blizzard Entertainment. Messrs. Kotick and Kelly emphasized that Activision and the NCGC wanted to ensure that Activision's corporate governance after the closing of the proposed transaction would provide for management operational flexibility to realize the proposed objectives and benefits of the combined operations as well as adequate protections for Activision's minority stockholders. In addition, management of both Vivendi and Activision expressed concern with respect to the integration of two companies' existing corporate structures and, in particular, Vivendi wanted to ensure that Blizzard Entertainment would continue to be managed by its current management team. Following this meeting, there remained several material open issues with respect to corporate governance, management structure, corporate opportunities and affiliate transactions and certain terms of the business combination agreement, including proposed termination fees and required consents.

Over the course of the next few weeks, representatives from Allen & Company and Skadden Arps met with Vivendi's financial and legal advisors to attempt to resolve the open issues. Messrs. Lévy and Kotick also spoke several times by telephone during this period regarding the same.

On September 6, 2007, the members of the NCGC, along with Messrs. Kotick and Kelly, held a meeting to discuss the terms and conditions of the draft business combination agreement, ancillary agreements, and the proposed form of the certificate of incorporation and bylaws of the combined

company. Representatives from Skadden Arps presented summaries of the open issues remaining with respect to each of these draft documents. After this meeting, several material corporate governance issues remained open including the management structure, corporate opportunities and affiliate transactions as well as certain issues relating to the terms of the business combination agreement, including the proposed termination fees and required consents. Additionally, representatives from Skadden Arps advised the NCGC with respect to the fiduciary duties of Activision's board of directors in connection with consideration of the proposed transaction. The NCGC recommended that Activision and its representatives continue negotiations regarding the proposed transaction with a view toward obtaining better corporate governance and operational provisions and protections for Activision's existing stockholders.

While discussions regarding a proposed transaction with Vivendi were ongoing, Mr. Morgado and Messrs. Kotick and Kelly continued to discuss the potential terms of their new executive compensation packages which were memorialized in preliminary term sheets. During this period, Mr. Morgado remained in contact with other members of the compensation committee and the NCGC. On September 10, 2007, following discussions with Mr. Morgado, S&S sent revised preliminary term sheets outlining the proposed terms of the executive compensation packages of Messrs. Kotick and Kelly to Wachtell, Lipton, Rosen & Katz, or WLRK, counsel to Messrs. Kotick and Kelly. The term sheets reflected certain compensation terms that contemplated the proposed transaction, as well as other terms that were not contingent thereon.

On September 14, 2007, after little progress on the open issues regarding the proposed transaction, Mr. Kotick telephoned Mr. Hack to inform him that, given the number of material open issues remaining, it did not make sense to continue discussions regarding a possible transaction at that time.

On September 17, 2007, Mr. Kotick attended a previously scheduled dinner with Mr. Morhaime and other members of the Blizzard Entertainment management team. At this dinner, Messrs. Kotick and Morhaime discussed the potential management structure of Blizzard Entertainment if a transaction were to occur. No formal proposals were discussed at this dinner; however, Mr. Kotick did reiterate the NCGC's concern that Activision's corporate governance post-closing would provide for management operational flexibility to realize the proposed objectives and benefits of the combined operations and the NCGC's understanding that Vivendi wanted Blizzard Entertainment to continue to be managed by its current management team.

On September 20, 2007, Mr. Kotick telephoned Mr. Lévy to propose a post-closing management and corporate governance structure, and inquired if Vivendi would be interested in continuing discussions regarding this proposed structure as well as the other open issues. Such proposal included Messrs. Kotick and Kelly remaining with the combined company for some period of time after the closing and for the retention of the key members of the Blizzard Entertainment management team.

On September 21, 2007, Mr. Lévy and Mr. Péniisson advised Mr. Kotick that Vivendi would be willing to continue discussions and over the next several weeks Mr. Lévy and Mr. Kotick had several telephone conversations regarding the remaining open issues.

On a parallel path, during the period from September 10 to September 24, 2007, Mr. Morgado and S&S engaged in several discussions with WLRK regarding the proposed executive compensation packages for Messrs. Kotick and Kelly. Throughout this process, Mr. Morgado also spoke directly with Messrs. Kotick and Kelly about their potential executive compensation packages and kept in contact with the other members of the compensation committee and the NCGC.

The compensation committee of Activision's board held a meeting on September 25, 2007, during which Mr. Morgado presented the compensation committee with revised term sheets for Messrs. Kotick and Kelly's executive compensation packages reflecting the results of the prior weeks of negotiations. Mr. Morgado informed the compensation committee that the proposed executive compensation packages set forth in the term sheets were conditioned upon the consummation of the transaction. The

compensation committee then authorized Mr. Morgado to retain outside compensation consultants to provide additional advice regarding the structure and valuation of the proposed executive compensation packages and to continue negotiations with Messrs. Kotick and Kelly. During the week of October 1, 2007, the compensation committee formally retained outside compensation consultants to engage in these valuations.

On September 27, 2007, Allen & Company presented an update to the Activision board of directors regarding the status of the proposed transaction. Allen & Company reviewed with the board the terms of the current proposal and the results of its due diligence review. After discussion, the board authorized Activision and its representatives to continue negotiations with regard to the proposed transaction.

During this period, representatives from Allen & Company and Skadden Arps held discussions and negotiations with Vivendi's financial and legal advisors to finalize the terms of the proposed business combination agreement and ancillary documents. Over this same period, the parties worked to complete their respective due diligence reviews and to respond to follow-up requests. The parties also continued to negotiate the terms and conditions of the corporate governance and management structure of Activision and Blizzard Entertainment in the event the proposed transaction closed.

On October 8, 2007, the Activision board of directors held a special meeting at which the status of the proposed transaction was discussed. Also at this meeting, representatives of Activision's outside consultants presented to the board their due diligence findings, which discussed, among other things, an assessment of Blizzard Entertainment's subscriber base and its business model. The consultants considered both upside and downside scenarios with respect to potential growth in Blizzard Entertainment's business and subscriber base taking into account various factors.

On October 9, 2007, S&S, Skadden Arps and Gibson Dunn discussed the preliminary term sheets and forms of employment agreements for Messrs. Kotick and Kelly. Further discussions regarding the structure of proposed executive compensation packages occurred throughout October and November.

On October 30, 2007, Activision's board of directors held a regularly scheduled meeting at which the status of the proposed transaction with Vivendi and Activision's second fiscal quarter results were discussed. The board recommended that Activision and its representatives continue its discussions with Vivendi.

During October and early November 2007, Mr. Morgado and S&S continued discussions with WLRK regarding the proposed executive compensation packages and forms of employment agreements for Messrs. Kotick and Kelly. In particular, the discussions focused on the form and structure of equity grants and the terms of the replacement bonus arrangements under the proposed executive compensation packages. During the process, Mr. Morgado remained in contact with the other members of the compensation committee and the NCGC about the status of negotiations.

Throughout early November, Messrs. Tippl and Grollemund had several discussions regarding the updated financial results and outlooks of both Activision and Vivendi Games since the completion of the parties' reciprocal due diligence reviews. In addition, representatives from Allen & Company and Goldman Sachs had several discussions regarding the principal financial terms of the proposed transaction in light of the financial performance of the companies since the beginning of discussions.

During this period, Allen & Company advised Goldman Sachs that Activision believed the previously discussed per share transaction price of \$24.75 should be increased due to Activision's recent and anticipated financial performance and the increased trading price of its common stock.

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On November 7, 2007, Allen & Company updated the NCGC regarding the current status of the negotiations with Vivendi, including its discussions with Goldman Sachs and possible counter-proposals that it deemed appropriate given Activision's recent and anticipated financial performance and increased stock price.

On November 7, 2007, the compensation committee met to discuss, among other things, the Kotick and Kelly employment agreements. After a presentation by the committee's outside compensation consultants, the compensation committee authorized Mr. Morgado to continue his negotiations with each of Messrs. Kotick and Kelly to finalize their respective executive compensation packages. During November 2007, S&S and Mr. Morgado continued negotiations with WLRK, and Mr. Morgado remained in contact with the other members of the compensation committee and the NCGC regarding the status of negotiations.

On November 13, 2007, Goldman Sachs advised Allen & Company that Vivendi was prepared to increase the per share transaction price from \$24.75 to an amount between \$26.25 and \$26.75 and would correspondingly increase the amount of cash used in the share purchase. In addition, Goldman Sachs indicated that Vivendi would also be willing to increase the cash component of the funding for the tender offer by an amount sufficient to provide for the purchase of up to 50% of Activision shares outstanding immediately prior to the transactions at the per share transaction price.

On November 16, 2007, the members of the NCGC, along with Messrs. Kotick and Kelly, held a meeting at which the status of the proposed transaction with Vivendi was discussed. The NCGC recommended that Activision and its representatives continue its discussions with Vivendi.

From November 19 to November 22, 2007, S&S and Mr. Morgado, representing the compensation committee, engaged in final negotiations with WLRK on Messrs. Kotick and Kelly's executive compensation packages. Throughout the final negotiation process, Mr. Morgado remained in constant contact with the other members of the compensation committee and the NCGC. On November 22, 2007, the material terms of Messrs. Kotick and Kelly's executive compensation packages were finalized between the compensation committee and S&S, on the one hand, and Messrs. Kotick and Kelly and WLRK on the other. The agreed-upon terms were then sent to Vivendi and Gibson Dunn for their review and input. During the week of November 26, 2007, minor revisions to the terms and conditions of Messrs. Kotick and Kelly's executive compensation packages were made following further discussions among Mr. Morgado, S&S and WLRK and input from Vivendi and Gibson Dunn.

On November 26, 2007, representatives of Activision, together with its financial and legal advisors, met with representatives of Vivendi and their financial and legal advisors in New York. During the course of this meeting, Vivendi proposed a per share transaction price of \$26.50; however, Activision countered that the then-current trading price of its common stock, the recent earnings release, and revised guidance to be provided by Activision for fiscal year 2008 all warranted a higher premium. Vivendi thereafter proposed a per share transaction price of \$27.25, but Activision maintained that a higher price was justified. After further discussion, Vivendi agreed to increase its offer to \$27.50 (representing a 45.2% premium to the then-current trading price of Activision common stock) and agreed that the resulting increase in the amount of cash paid to Activision would be used to increase the aggregate amount of Activision shares to be purchased by Activision in the tender offer. Mr. Kotick indicated that he would present the \$27.50 per share transaction price and other terms to Activision's board of directors for their consideration.

From November 26 to November 29, 2007, the parties' legal advisors worked to finalize the business combination agreement, disclosure schedules and ancillary agreements. On November 29, 2007, the parties and their legal and financial advisors participated in a telephonic meeting to confirm that, subject to the approval of the Vivendi and Activision boards of directors, the terms and conditions of the business combination agreement and related ancillary agreements were finalized and all open issues resolved. See the sections of this proxy statement entitled "Board and Management of Activision

Blizzard," "The Business Combination Agreement Termination; Termination Fees and Expenses," and "Corporate Governance of Activision Blizzard Corporate Opportunities; Fiduciary Duties of Activision Blizzard Directors."

On November 28, 2007, Activision requested that S&S prepare an amendment to the existing employment agreement of Mr. Griffith that reflected certain terms and conditions independently negotiated between Activision and Mr. Griffith. These terms included an amendment to the terms of Mr. Griffith's existing equity awards and a new grant of equity awards.

On November 29, 2007, S&S sent final versions of the agreements setting forth the proposed executive compensation packages for Messrs. Kotick and Kelly and the amendment to the Griffith employment agreement to the compensation committee and the NCGC for approval. The materials delivered to the compensation committee at that time also included a reasonableness letter and valuations prepared by the outside compensation consultants with respect to compensation payable under the packages generally and in connection with the proposed transaction in particular.

On November 30, 2007, Vivendi's management and supervisory boards met to consider the proposed transaction, including the business combination agreement and the ancillary agreement, and unanimously approved the terms thereof.

On December 1, 2007, the Activision compensation committee and the NCGC held a joint special meeting to consider the proposed executive compensation packages for Messrs. Kotick and Kelly and the proposed amendment to Mr. Griffith's employment agreement. In discussing the new employment arrangements, S&S explained in detail the committees' and the board's duties, obligations and responsibilities under Delaware law and the compensation committee's outside consultants presented their recommendations with regard to the proposed executive compensation packages for Messrs. Kotick and Kelly and the proposed amendment to Mr. Griffith's employment agreement. After extensive discussion, the committees, which include all independent members of the Activision board of directors, jointly and unanimously approved the proposed executive compensation packages for Messrs. Kotick and Kelly and the proposed amendment to Mr. Griffith's employment agreement and resolved to recommend their approval by the entire Activision board of directors.

Also on December 1, 2007, the entire Activision board of directors held a special meeting to discuss the proposed transaction, including the terms and conditions of the business combination agreement and the ancillary agreements. At this meeting, representatives from Allen & Company reviewed the material financial analyses prepared in connection with the preparation of its fairness opinion. Allen & Company then delivered its oral opinion that, taking into account the transactions contemplated by the business combination agreement as a whole, the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer were fair, from a financial point of view, to Activision and its stockholders. Representatives from Skadden Arps reviewed for the board the fiduciary duties of directors in considering the proposed transaction, including the board's duty to act in a manner reasonably designed to obtain the best price for stockholders, and presented summaries of the terms of the business combination agreement and the ancillary agreements. The compensation committee also presented the joint recommendation of it and the NCGC that the board approve the proposed executive compensation packages for Messrs. Kotick and Kelly and the proposed amendment to Mr. Griffith's employment agreement. The members of the NCGC did not formally provide a recommendation to the Activision board of directors regarding the proposed transaction, but instead participated in the full board's deliberations. After discussion, Activision's board of directors unanimously determined that (a) the business combination agreement and all related documents and exhibits thereto, in each case substantially in the form presented to the board, are in the best interests of Activision and its stockholders, (b) taking into account the transactions contemplated by the business combination agreement as a whole, the per share transaction price of the share purchase, the exchange ratio and the per share transaction price of the tender offer

are fair, from a financial point of view, to Activision and its stockholders, and (c) the merger is advisable under Section 251(b) of the DGCL.

Following the Activision board meeting, the parties executed the business combination agreement and ancillary documents.

On December 2, 2007, Activision and Vivendi issued a joint press release announcing the transaction.

Activision's Reasons for the Transaction and Tender Offer

Reasons for the Transaction and Tender Offer and Recommendations

In evaluating the business combination agreement and the proposed transaction, including the merger, the share purchase, the tender offer, and the amendment and restatement of our certificate of incorporation and bylaws, and recommending that holders of Activision's common stock vote in favor of the proposals described in this proxy statement, the Activision board of directors consulted with Activision's senior management, financial and legal advisors, as well as the NCGC and outside consultants, and considered a number of factors, including the following material factors, which the Activision board of directors viewed as supporting its recommendations:

Unique Market Opportunity. The Activision board considered the potential benefits of combining Vivendi Games' interactive entertainment business, including Blizzard Entertainment's highly successful *World of Warcraft* MMORPG franchise, with Activision, including the prospect of creating the world's leading pure-play online and console game publisher and the potential to accelerate Activision's growth and expand its operating margins. In considering this opportunity, the Activision board took into account factors such as the competitive landscape of, and trends in, the interactive entertainment industry, other strategic alternatives likely to be available to Activision (including, but not limited to, potential business combinations with public and private companies in the interactive entertainment industry, strategic partnerships and alliances, investments in software development studios, and key license transactions), the results of Activision's due diligence review of Vivendi Games, discussions with management of Vivendi Games and Vivendi and the presentations and evaluations by Activision's financial advisor and outside consultants.

Expansion into Online Gaming and New Geographies. The Activision board considered that the proposed transaction would facilitate Activision's expansion into the higher operating margin and fast growing MMOG genre and would provide scale benefits to its international business, including establishing a meaningful presence in the rapidly growing Asian markets, which Activision's senior management had identified as top strategic priorities.

Combining Industry Leaders. The Activision board considered that the proposed transaction would combine leaders in mass-market entertainment and subscription-based online games, which would enable the combined company to more effectively leverage and diversify its combined product portfolios. In particular, the Activision board considered that the proposed transaction would bring together the world's leading MMORPG franchise, *World of Warcraft*, and other successful Vivendi Games titles with Activision's top-selling owned and licensed franchises, enabling the combined company to establish leading positions across the competitive interactive entertainment software industry and reach a broader audience.

Diversification of Activision's Revenue Base. The Activision board considered that the proposed transaction would enable Activision to diversify its revenue base among subscription-based online, console and PC formats, as well as wireless and other emerging technologies, providing Activision with a broader platform to capitalize on industry growth as well as a recurring stream of subscription-based revenue.

Premium to Market Price. The Activision board considered the current and historical market prices of Activision's common stock and the fact that the per share transaction price of \$27.50 per share represented an approximate 24.2% premium over the closing price of Activision's common stock on November 30, 2007, the last trading day prior to the execution of the business combination agreement, and approximately 33.7% and 26.8% premiums over the closing prices of Activision's common stock over the 10 and 30 trading days, respectively, prior to the date of the execution of the business combination agreement. The Activision board also considered that the transaction represented the best value available for the stockholders for a sale of control of Activision.

Tender Offer; Liquidity to Stockholders; Certainty of Value. The Activision board considered the liquidity and premium to be offered to Activision's stockholders in connection with the proposed post-closing tender offer, including the number of shares to be purchased by the combined company and the other terms and conditions of the tender offer, including restrictions on the ability of Vivendi and certain members of Activision's senior management to participate in the offer, and the fact that Activision's stockholders would be entitled to realize \$27.50 per share for shares sold in connection with the tender offer. The Activision board also considered that the tender offer would offer the flexibility of not requiring Activision stockholders to tender any or all of their shares in the tender offer, thereby allowing Activision stockholders the option not to tender their shares in the tender offer if they were able to achieve a higher price in the market or otherwise desired to retain ownership of their shares of the combined company.

Experience and Track Record of the Management Team. The Activision board considered the experience and track record of Vivendi Games' management team, as well as the terms and conditions of the employment agreements of the key members of such management and their overall fit within Activision's current management structure.

Successful Operating Model. The Activision board considered the ability of the combined company to continue using the successful publishing and distribution models and operations team currently employed by Activision Publishing and Blizzard Entertainment.

Corporate Governance. The Activision board considered the post-closing corporate governance structure of the combined company, including the minority stockholder and other protections provided in the proposed amended and restated certificate of incorporation and bylaws of Activision, which will be implemented effective as of closing of the transaction.

Special Committee. The Activision board considered the recommendations of the NCGC and its views regarding the terms and financial aspects of the transaction, including the terms of the amended employment agreements and voting and lock-up agreements of Messrs. Kotick and Kelly.

Regulatory and Stockholder Approvals. The Activision board considered the regulatory and stockholder approvals required in connection with the transaction and the other terms of the business combination agreement, and the likelihood that, once the business combination agreement had been entered into, the transaction would be completed if the issuance of Activision common stock in accordance with the terms of the business combination agreement and the amendment and restatement of our certificate of incorporation were approved by our stockholders and the transaction was approved by applicable regulatory agencies. The Activision board also considered certain regulatory and other approvals required if Activision were to partner with, or be acquired by, other industry participants and the likelihood as to whether such approvals could reasonably be expected to be received.

Amended Employment Agreements. The Activision board considered the recommendations of the NCGC and its counsel in connection with the amended and restated employment agreements to be entered into with Robert A. Kotick concurrently with the execution of the business

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combination agreement, pursuant to which Mr. Kotick would serve as President and Chief Executive Officer of Activision Blizzard, and Brian G. Kelly, pursuant to which Mr. Kelly would serve as the Co-Chairman of Activision Blizzard, the waiver of certain change in control benefits to which Messrs. Kotick and Kelly may have been entitled as a result of the transaction, and the resulting increased likelihood that the members of Activision's senior management would remain in place at Activision Blizzard for a substantial period following completion of the transaction.

No Financing Condition; Vivendi Credit Facility. The Activision board considered the substantial financial resources of Vivendi, the lack of financing condition in the business combination agreement and Vivendi's available cash resources and financing in an amount sufficient to enable Vivendi to complete the share purchase and the other transactions contemplated by the business combination agreement. The Activision board also considered the current state of the credit markets generally and Vivendi's commitment in the business combination agreement, under certain circumstances, to lend Activision certain amounts needed to complete the tender offer on arms-length terms, subject to the terms and conditions set forth in the business combination agreement.

Ability to Respond to Certain Unsolicited Acquisition Proposals. The Activision board considered Activision's ability under certain circumstances, pursuant to the business combination agreement, to engage in negotiations or discussions with, and to provide information to, any third party that made after the date of the business combination agreement and prior to Activision stockholder approval an "Activision Acquisition Proposal" (as such term is defined in the business combination agreement) and that the Activision board determines in good faith (after consultation with its outside counsel and a financial advisor of nationally recognized reputation) constitutes, or is reasonably likely to lead to, an "Activision Superior Proposal" (as such term is defined in the business combination agreement).

Ability to Terminate the Business Combination Agreement to Accept an Activision Superior Proposal. The Activision board considered Activision's ability, following receipt of an Activision Superior Proposal after the date of the business combination agreement and prior to Activision stockholder approval, to change its recommendation with respect to the transaction and terminate the business combination agreement if certain conditions were satisfied, including if the Activision board determines in good faith, after consultation with outside counsel, that its failure to take such action would be reasonably expected to constitute a breach of its fiduciary duties under applicable law, that at least three (3) business days prior written notice is given to Vivendi of the Activision board's intent to take such action, and Activision's requirement to pay Vivendi a \$180 million termination fee and reimburse Vivendi for up to \$15 million of expenses in connection with any such termination.

Terms of Business Combination Agreement. The Activision board considered the terms of the business combination agreement, the investor agreement, the amendment and restatement of the certificate of incorporation and bylaws of the combined company, and the other agreements relating to the proposed transaction, including the respective representations, warranties, covenants and termination rights of the parties, the termination fee and expenses payable in certain circumstances by Activision, and the fact that the terms of such agreements and the termination fee are favorable to Activision's stockholders.

Termination Fee. The Activision board considered its discussions with Allen & Company that the termination fee of \$180 million that could become payable pursuant to the business combination agreement under certain circumstances, including if Activision terminates the business combination agreement to accept an Activision Superior Proposal or if Vivendi terminates the business combination agreement because the Activision board changes its recommendation with respect to the transaction, was unlikely to be a significant deterrent to competing acquisition offers.

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Allen & Company Opinion. The Activision board considered the financial analyses and opinion of Allen & Company delivered orally to Activision's board on December 1, 2007 and subsequently confirmed in writing, to the effect that, as of the date of its opinion and based upon and subject to the qualifications, limitations and assumptions set forth therein, taking into account the transactions contemplated by the business combination agreement as a whole, the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer were fair, from a financial point of view, to Activision and its stockholders. For further discussion of Allen & Company's opinion, see "Opinion of Activision's Financial Advisor" below.

Reasons Against the Transaction and Tender Offer and Recommendations

In the course of its deliberations, the Activision board of directors also considered a variety of risks and other potentially negative factors concerning the transaction, including the following:

No Future Change of Control Transactions. The Activision board considered that the closing of the transaction, which is expected to result in Vivendi owning approximately 52.2% of the issued and outstanding shares of Activision Blizzard common stock on a fully diluted basis (approximately 68.0% if the tender offer is fully subscribed), would discourage a third party from making an offer to acquire Activision Blizzard in the future unless Vivendi supported such offer and could prevent Activision stockholders from receiving any additional "control premium" following completion of the transaction and the tender offer.

Proration in Tender Offer. The Activision board considered that Activision stockholders would be subject to proration if the tender offer is oversubscribed, effectively limiting an Activision stockholder to selling approximately 50% of its holdings if the offer is fully subscribed. The Activision board also considered that the market price of Activision Blizzard common stock could be higher than \$27.50 at the time the tender offer is launched and that there is no obligation of Activision Blizzard or Vivendi to offer a higher price, and that the total value to Activision stockholders will vary based on the number of shares, if any, ultimately tendered in the tender offer.

Effect on Third Party Offers. The Activision board considered that the terms of the business combination agreement restricting Activision's solicitation of third party acquisition proposals, providing for Activision's payment of a termination fee and expense reimbursement to Vivendi in specified circumstances, and the terms of the voting agreements entered into by certain Activision executives, could limit the willingness of a third party to propose a competing transaction with Activision.

Control by Vivendi. The Activision board considered that following completion of the transaction Vivendi will own approximately 52.2% of the issued and outstanding shares of Activision Blizzard common stock on a fully diluted basis and approximately 68.0% if the tender offer is fully subscribed, will control a majority of Activision Blizzard's board of directors, and will have certain other corporate governance and other rights provided in our amended and restated certificate of incorporation and bylaws, which generally impose significant restrictions on the board composition and corporate governance of Activision Blizzard following the completion of the transaction.

No Standstill. The Activision board considered that, subject to certain limitations, following completion of the transaction Vivendi is not prohibited from acquiring additional shares of common stock or other securities of Activision Blizzard in the market, directly from third parties, or otherwise.

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Additional Debt. The Activision board considered the effect on Activision Blizzard if additional debt is required to be incurred from a third party or Vivendi in connection with financing a portion of the tender offer.

Realization of Synergies. The Activision board considered the possibility that the synergies and other financial and strategic benefits expected to be achieved in the transaction may not be obtained on a timely basis or at all.

Effect on Failure to Complete Transaction. The Activision board considered the risks and costs that could be borne by Activision if the transaction is not completed, including the diversion of management and employee attention during the period after the signing of the business combination agreement, potential employee attrition and the potential effect on Activision's business and client relations.

Interim Restrictions on Activision's Business. The Activision board considered that, under the business combination agreement, Activision must conduct its business in the ordinary course and is subject to a variety of other restrictions on the conduct of its business prior to completion of the transaction or termination of the business combination agreement, which may delay or prevent Activision from pursuing business opportunities that may arise.

Transaction Costs. The Activision board considered the significant costs involved in connection with entering into the business combination agreement and completing the transaction and the tender offer, and potential related disruptions to the operations of Activision's business.

Required Regulatory Approvals. The Activision board considered the fact that regulatory approvals (including approvals in the European Union) are required to consummate the transaction and the prospects for receiving any such approvals.

Risks Related to Vivendi Games' Businesses. The Activision board considered the prospects for Vivendi Games' businesses and the costs associated with both the continuation and potential discontinuation of certain of Vivendi Games' businesses.

Interests of Activision Management. The Activision board considered the fact that some of Activision's executives, including the Chief Executive Officer, who is a member of the Activision board, may have interests in the transaction that are different from, or in addition to, those of Activision's stockholders, as a result of the employment and other agreements referred to in "Board and Management of Activision Blizzard" below in this proxy statement and their holding of shares and options to purchase shares of Activision common stock and the recommendations of the NCGC and its counsel on such matters.

The foregoing discussion of the information considered by Activision's board of directors is not exhaustive, but includes the material factors that Activision's board of directors considered in approving and recommending the transaction. In view of the wide variety of factors considered by the board of directors in connection with its evaluation of the transaction and the complexity of these factors, the board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign any specific or relative weights to the specific factors that it considered in reaching its decision. The board of directors discussed the factors described above, including asking questions of Activision's senior management and financial and legal advisors, as well as the NCGC and its legal advisors, and reached a consensus that the transaction was in the best interests of Activision and its stockholders. In considering the factors described above, individual directors may have assigned different weights to different factors. Activision's board of directors relied on the experience and expertise of its financial advisors for a quantitative analysis of the financial terms of the transaction. See below under "Opinion of Activision's Financial Advisor."

The above explanation of the reasoning of Activision's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Cautionary Statement Concerning Forward-Looking Statements."

For the reasons set forth above, Activision's board of directors has unanimously approved the business combination agreement, the other agreements entered into in connection with the business combination agreement and the transactions contemplated by those agreements, has concluded that the transaction is advisable and in the best interests of Activision and its stockholders and unanimously recommends that Activision stockholders vote for the issuance of Activision common stock in accordance with the terms of the business combination agreement, the amendment and restatement of our certificate of incorporation, including each of the related sub-proposals, and the amendment of Section 7.4(a) of Activision's third amended and restated bylaws.

Opinion of Activision's Financial Advisor

Allen & Company LLC has acted as our financial advisor in connection with the transaction. In connection with Allen & Company's engagement as our financial advisor, we requested that Allen & Company evaluate the fairness, from a financial point of view, of the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer, to Activision and its stockholders, taking into account the transactions contemplated by the business combination agreement as a whole. On December 1, 2007, Allen & Company delivered its oral opinion, subsequently confirmed in writing, to our board of directors to the effect that, as of the date of its opinion and based upon and subject to the qualifications, limitations and assumptions set forth therein, taking into account the transactions contemplated by the business combination agreement as a whole, the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer were fair, from a financial point of view, to Activision and its stockholders.

The summary of Allen & Company's written opinion in this proxy statement is qualified in its entirety by reference to the full text of Allen & Company's written opinion, dated December 1, 2007, attached to this proxy statement as Annex D. You are urged to, and should, read Allen & Company's written opinion carefully and in its entirety. Allen & Company's written opinion addresses only the fairness, from a financial point of view, of the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer to Activision and its stockholders, taking into account the transactions contemplated by the business combination agreement as a whole, as of the date of Allen & Company's written opinion, and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the transaction.

The forecasts, estimates and projections regarding Activision, Vivendi Games and their respective businesses and subsidiaries described in this summary are forward-looking in nature and, therefore, should be read in light of the factors discussed under the section of this proxy statement entitled "Cautionary Statement Concerning Forward-Looking Statements."

In arriving at its opinion, Allen & Company, among other things:

reviewed and analyzed the terms and conditions of the transaction including the draft business combination agreement and the draft agreements ancillary thereto (none of which prior to the delivery of the opinion had been executed by the parties);

reviewed trends in the interactive entertainment industry including, but not limited to, MMOGs;

reviewed public financial information with respect to both Activision and Vivendi Games (a subsidiary of Vivendi);

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reviewed public financial and transaction information involving companies both in the interactive entertainment industry as well as in the broader entertainment industry, which Allen & Company deemed to be comparable to Activision and Vivendi Games as well as transaction information with respect to comparable transactions;

reviewed public financial and transaction information involving companies which have engaged in self-tender offers;

reviewed and analyzed the present financial condition and business prospects of both Activision and Vivendi Games obtained from meetings and conversations with both companies' senior management;

reviewed historical and projected business information and financial results of Activision and Vivendi Games obtained from meetings and conversations with both companies' senior management;

reviewed other information obtained from meetings with senior management of both Activision and Vivendi Games;

reviewed and analyzed the trading history of Activision's common stock and certain comparable companies;

utilized Allen & Company's familiarity, developed in the course of serving as financial advisor to Activision (and also developed in connection with the negotiation of the transaction), with Activision's business and prospects, as well as prevailing trends in the markets in which Activision and Vivendi Games compete;

conferred with the management team of Activision with respect to the proposed transaction;

reviewed and analyzed the prospective value of Activision's common stock as of the closing of the transaction and immediately following the completion of the tender offer; and

conducted such other financial analyses and investigations as Allen & Company deemed necessary or appropriate for the purposes of the opinion expressed therein.

In connection with its review, Allen & Company did not assume any responsibility for independent verification of any of the information utilized in its analyses and relied upon and assumed the accuracy and completeness of all of the financial, accounting, tax and other information that was available to Allen & Company from public sources, that was provided to it by Activision and Vivendi Games or their respective representatives, or that was otherwise reviewed by it. With respect to the projected business information and financial results that Allen & Company reviewed, Allen & Company was advised by Activision's management, and Allen & Company assumed, that such forecasts had been reasonably prepared in good faith reflecting the best currently available estimates and judgments of Activision's and Vivendi Games' management as to their respective future financial performance. Allen & Company assumed no responsibility for such forecasts or the assumptions on which they were based.

Allen & Company also assumed, with Activision's consent, that the transaction would be consummated in accordance with the terms and conditions set forth in the draft business combination agreement and the draft agreements ancillary thereto that it reviewed. Allen & Company neither conducted a physical inspection of the properties and facilities of Activision or Vivendi Games nor, except as specifically set forth in the opinion, made or obtained any evaluations or appraisals of the assets or liabilities of Activision or Vivendi Games, or conducted any analysis concerning the solvency of Activision or Vivendi Games. Allen & Company's opinion addressed only the fairness, from a financial point of view, of the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer, to Activision and its stockholders,

taking into account the transactions contemplated by the business combination agreement as a whole, and did not address any other aspect or implication of the transaction or any other agreement, arrangement or understanding entered into in connection with the transaction or otherwise. Allen & Company's opinion was necessarily based upon information made available to it as of the date of its opinion, and upon financial, economic, market and other conditions as they existed and could be evaluated on the date of Allen & Company's opinion. Allen & Company was not asked to, and did not, update its opinion to take into account changes since December 1, 2007. Allen & Company has no obligation to advise any person of any change in any matter affecting its opinion or for updating or revising its opinion based on circumstances or events occurring after the date of Allen & Company's opinion. Allen & Company's opinion did not address the relative merits of the transaction as compared to other business strategies that might have been available to Activision, nor did it address Activision's underlying business decision to proceed with the transaction. Allen & Company did not express an opinion as to the price at which any shares of capital stock of Activision would trade either before or after the transaction or the tender offer. Allen & Company did not express an opinion about the fairness of any compensation payable to any of Activision's insiders in connection with the transaction, relative to the compensation payable to Activision's public stockholders. Allen & Company did not express any opinion as to any tax or other consequences that might result from the transaction, nor did Allen & Company's opinion address any legal, tax, regulatory or accounting matters, as to which Allen & Company understood that Activision obtained such advice as it deemed necessary from qualified professionals.

In preparing its opinion, Allen & Company performed a number of financial and comparative analyses, including those described below. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Allen & Company believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading view of the processes underlying its opinion. Allen & Company arrived at its opinion based on the totality of factors considered and the analyses performed by it. Allen & Company did not form an opinion as to whether any individual analysis or factor, considered in isolation, supported or failed to support its opinion. The range of valuation resulting from any particular analysis described below should not be taken to be Allen & Company's view of the actual value of Activision or Vivendi Games. No company or transaction used in the analyses performed by Allen & Company as a comparison is identical to Activision or to the contemplated transaction. The analyses performed by Allen & Company are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets do not purport to be appraisals or to necessarily reflect the prices at which businesses or assets may actually be sold. The analyses performed were prepared solely as part of Allen & Company's analysis of the fairness, from a financial point of view, of the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer, to Activision and its stockholders, taking into account the transactions contemplated by the business combination agreement as a whole, and were provided to the board of directors in connection with the delivery of Allen & Company's opinion.

The following is a summary of material financial analyses performed by Allen & Company in connection with the preparation of its opinion, and reviewed with the Activision board of directors at a meeting held on December 1, 2007. Certain of the following summaries of financial analyses that were performed by Allen & Company include information presented in tabular format. In order to understand fully the material financial analyses that were performed by Allen & Company, the tables should be read together with the text of each summary. The tables alone do not constitute a complete description of the material financial analyses.

Allen & Company determined that the following methodologies were most appropriate in undertaking its analysis of the fairness, from a financial point of view, of the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer, to Activision and its stockholders, taking into account the transactions contemplated by the business combination agreement as a whole.

Per Share Transaction Price of the Share Purchase

Allen & Company used the following methodologies to evaluate the fairness of the \$27.50 per share transaction price for shares issued by Activision in the share purchase: (a) comparable company premium analysis; (b) comparable company multiples analysis; (c) comparable precedent transaction analysis; and (d) a discounted cash flow, or DCF, analysis.

Comparable Company Premium Analysis. Allen & Company compared the per share transaction price of the share purchase to various measures relating to the price of Activision's common stock between the dates of November 1, 2007 and November 29, 2007. These measures included (a) the closing price; (b) the 10-day trailing average closing prices; (c) the 4-weeks prior closing prices and (d) the 20-day trailing average closing prices. Allen & Company calculated that the premium represented by the per share transaction price of the share purchase ranged from 19% - 45% to the closing prices, 19% - 37% to the 10-day trailing average closing prices, 16% - 25% to the 4-weeks prior closing prices and 20% - 30% to the 20-day trailing average closing prices during the time period between November 1, 2007 and November 29, 2007. As of the closing price on November 29, 2007, the premium represented by the per share transaction price of the share purchase was 25% to the closing price, 35% to the 10-day trailing average closing price, 20% to the 4-weeks prior closing price and 30% to the 20-day trailing average closing price.

Allen & Company also analyzed and examined the transaction premiums paid in approximately 1,260 other transactions comprised of completed acquisitions of all domestic companies, excluding financial institutions, which were acquired from January 1, 2002 through November 28, 2007. Allen & Company found that the per share transaction price of \$27.50 represented premiums to Activision's closing price and 4-weeks prior price that were within the range of premiums paid in those 1,260 change of control transactions.

Comparable Public Company Multiples Analysis. Although Allen & Company believed that no companies were directly comparable to Activision, it nonetheless analyzed and examined current trading multiples for companies which it considered similar to, or which operate within the same industry as, Activision and that share similar business risks and opportunities.

Specifically, Allen & Company analyzed the common stock prices and market multiples of the following comparable publicly-traded companies which were either in the interactive entertainment industry, and belong to a group classified by Allen & Company as diversified publishers, or in the broader general entertainment industry.

Each of the three companies Allen & Company profiled in the general entertainment industry were deemed somewhat comparable to Activision for a number of reasons, including, but not limited to (1) the markets served, (2) the method of product distribution, (3) the business model used and (4) because the success of these companies is slate-driven and directly correlates to the tastes of its consumers.

Interactive Entertainment

Electronic Arts;

THQ;

Take Two Interactive; and

Ubisoft Entertainment.

General Entertainment

Lions Gate Entertainment;

Dreamworks Animation; and

Warner Music Group.

Allen & Company calculated various valuation multiples, including: (a) the ratio of share price to the estimated earnings per share, or EPS, and (b) the ratio of enterprise value, or EV, to the estimated earnings before interest, taxes, depreciation and amortization, or EBITDA, on a projected calendar year basis for 2007, 2008 and 2009 for each of the seven companies identified above. Allen & Company determined that the per share transaction price of the share purchase implied enterprise and equity value multiples within or above the range of multiples of the comparable publicly traded companies in both the interactive entertainment industry as well as in the broader entertainment industry. EBITDA and EPS projections and estimates were derived from Wall Street analyst research.

Set forth below is a chart which sets forth the range of multiples calculated for the seven comparable publicly traded companies in the interactive entertainment and general entertainment industries identified above, using their closing price on November 29, 2007, as compared to the multiples calculated for the \$27.50 per share transaction price for shares issued by Activision.

Company	EV / EBITDA			Price / Adjusted Earnings		
	CY 2007	CY 2008	CY 2009	CY 2007	CY 2008	CY 2009
Interactive Entertainment						
Electronic Arts	35.0x	20.0x	14.6x	54.9x	31.9x	23.1x
THQ	20.7x	11.2x	8.4x	28.0x	18.3x	14.5x
Take Two Interactive	nm	9.7x	7.7x	nm	11.0x	8.8x
Ubisoft Entertainment	35.0x	24.0x	18.7x	nm	40.5x	32.1x
General Entertainment						
Lions Gate Entertainment	nm	37.0x	17.0x	nm	61.2x	21.1x
Dreamworks Animation	6.6x	7.9x	8.1x	11.8x	15.0x	16.1x
Warner Music Group	6.1x	7.4x	7.5x	9.4x	17.2x	17.8x
Activision	21.7x	17.9x	15.6x	34.7x	28.5x	25.5x

Comparable Precedent Transaction Analysis. Allen & Company reviewed selected precedent transactions that had announcement dates between 1998 and 2007 and had publicly-disclosed information or industry analyst estimates from which purchase price multiples could be derived. Finding that there were no transactions of comparable scale in the interactive entertainment industry, Allen & Company examined the broader entertainment industry for acquired businesses having characteristics similar to Activision. Transactions analyzed in the broader entertainment industry included:

Terra Firma Capital's acquisition of EMI Group;

Walt Disney's acquisition of Pixar;

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Sony-led investor consortium's purchase of Metro-Goldwyn-Mayer;

Combination of Vivendi Universal Entertainment LLLP and National Broadcasting Company, Inc. to form NBC Universal;
and

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The Seagram Company Ltd.'s acquisition of PolyGram N.V.

As indicated by the chart below, Allen & Company determined that the per share transaction price of the share purchase implies enterprise and equity value multiples for Activision that were above or within the range of multiples paid in comparable transactions in the broader entertainment industry.

	Multiples Implied by Per Share Transaction Price of \$27.50	Range of Multiples from Comparable Transactions in Broader Entertainment Industry
Enterprise Value / LTM EBITDA	34.7x	16.1x - 29.3x
Enterprise Value / Forward EBITDA	21.7x	13.2x - 19.7x
Equity Value / LTM Net Income	51.4x	30.8x - 49.7x
Equity Value / Forward Net Income	34.7x	28.0x - 35.4x

Discounted Cash Flow Analysis. Allen & Company's DCF approach was based upon certain financial projections and estimates, as set forth in the chart below, for Activision through the year 2013 that were derived from Wall Street analyst reports, which reports included financial projections and assumptions that Allen & Company and Activision's management believed were appropriate for such analysis and incorporated Activision's updated guidance issued at the end of November 2007. Allen & Company's DCF approach included a review of estimates of Activision's projected revenue, after-tax earnings before interest and free cash flow, as set forth in the chart below.

	2008	Fiscal Year Ending March 31,				
12/01/07- 3/31/08	2009	2010	2011	2012	2013	
	(\$ in Millions)					
Revenue	\$ 962	\$ 2,485	\$ 2,704	\$ 2,920	\$ 3,154	\$ 3,406
After-Tax Earnings Before Interest	133	272	318	364	404	436
Free Cash Flow	140	272	316	362	399	430

Allen & Company used a DCF analysis to identify a range of present values for Activision's common stock based upon terminal forward P/E multiples ranging from 21x - 25x and discount rates ranging from 12% - 13%, resulting in a calculated per share range of between \$22.03 and \$25.55. The discount rates used for Activision were based upon the estimated weighted average cost of capital for publicly traded diversified publishers in the interactive entertainment industry. The per share transaction price of \$27.50, therefore, exceeded the range of values indicated by its DCF analysis. Because Activision's earnings stream is subject to volatility due to the console cycle, Allen & Company used a range of earnings multiples that are generally consistent with historical trading multiples for Activision to calculate the terminal value for the business.

Exchange Ratio of the Merger

Allen & Company relied on a sum-of-the-parts valuation analysis to value Vivendi Games and to determine the fairness, from a financial point of view, of the exchange ratio of the merger to Activision. Allen & Company utilized a variety of methodologies to analyze the four business units that comprise Vivendi Games: (a) Blizzard Entertainment; (b) Sierra; (c) Sierra Online; and (d) Vivendi Games Mobile. The following is a summary of the analyses performed for each of the business units.

Blizzard Entertainment. Allen & Company performed a (a) comparable public company analysis, (b) a precedent transaction analysis and (c) a DCF analysis in order to establish a value range for Blizzard Entertainment. Based on the foregoing analyses, Allen & Company determined a value range for Blizzard Entertainment of \$8.2 billion - \$9.0 billion.

Comparable Public Company Analysis. Allen & Company analyzed the common stock prices and market multiples of eleven comparable publicly-traded companies which were classified as either

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MMOGs or diversified publishers. MMOGs examined by Allen & Company included Giant Interactive Group, NCSOFT, Netease.com, Perfect World Co., Shanda Interactive Entertainment and The9 Limited. Diversified publishers included Electronic Arts, Activision, THQ, Take Two Interactive and Ubisoft Entertainment. Allen & Company selected a range of enterprise and equity value multiples for Blizzard Entertainment based upon the trading multiples of comparable public companies evaluated, as indicated in the chart below.

	Selected Multiple Range for Blizzard Entertainment	Range of Multiples for MMOG Industry	Range of Multiples for Diversified Publishers
EV / CY07 EBITDA	15.5x - 16.5x	9.3x - 27.2x	16.6x - 35.0x
EV / CY08 EBITDA	13.5x - 14.5x	5.8x - 15.5x	9.7x - 24.0x
EV / CY09 EBITDA	11.5x - 13.0x	4.2x - 13.2x	7.7x - 18.7x
Price / CY07 EPS	21.0x - 22.0x	15.8x - 30.1x	27.7x - 54.9x
Price / CY08 EPS	18.0x - 19.0x	12.7x - 19.2x	11.0x - 40.5x
Price / CY09 EPS	15.5x - 16.5x	8.1x - 16.7x	8.8x - 32.1x

Precedent Transaction Analysis. Allen & Company's precedent transaction analysis focused solely on minority-stake acquisitions of comparable companies. Specifically, Allen & Company evaluated Electronic Arts' acquisition of a 15% stake in The9 Limited which was announced on May 21, 2007. The purchase price of the minority stake in The9 Limited implied an enterprise value to forward EBITDA multiple of 16.9x and a forward P/E multiple of 26.5x for The9 Limited.

Discounted Cash Flow Analysis. Allen & Company estimated the after-tax unlevered free cash flow for Blizzard Entertainment beginning with the second quarter of 2008 through year-end 2012. Unaudited projections of Blizzard Entertainment's revenue, pre-tax earnings before interest, depreciation & amortization, working capital, and capital expenditures for 2008 and 2009 were provided by, and are the sole responsibility of Vivendi Games management. Allen & Company used such projections to extrapolate (i) Blizzard Entertainment's revenue for the last three quarters of 2008, (ii) Blizzard Entertainment's after-tax earnings before interest and free cash flow for 2008 and 2009 and (iii) Blizzard Entertainment's results for 2010 through 2012, all as set forth in the chart below. Allen & Company's DCF approach included a review of its estimates set forth in the chart below of Blizzard Entertainment's projected revenue, after-tax earnings before interest and free cash flow.

	Fiscal Year Ending December 31,				
	Q2-Q4 2008	2009	2010	2011	2012
	(\$ in Millions)				
Revenue	\$ 995	\$ 1,551	\$ 1,767	\$ 1,961	\$ 2,118
After-Tax Earnings Before Interest	305	487	555	616	666
Free Cash Flow	275	496	565	628	678

Allen & Company discounted the free cash flows back to a present value as of December 1, 2007 using discount rates ranging from 10.5% to 12.5%. The discount rates for Blizzard Entertainment were based upon the estimated weighted average cost of capital for publicly traded MMOG companies.

In addition, Allen & Company assumed perpetuity growth rates ranging from 4.0% to 6.0% in order to calculate a terminal value, growth rates which are in line with long-term nominal GDP growth rates for the United States. Using the midpoint for the range of discount rates of 11.5% and a range of perpetuity growth rate assumptions from 4.5% to 5.5%, which translated into terminal trailing EBITA multiples of 9.7x to 11.5x, the DCF analysis indicated an enterprise value for Blizzard Entertainment ranging from \$7.7 billion to \$8.8 billion. Allen & Company calculated the terminal value for Blizzard Entertainment using a perpetual growth in free cash flow primarily because (1) Blizzard Entertainment's business is primarily subscription-based, (2) its earnings stream is generally more

predictable with steadier cash flow growth as compared to major publishers of console platform titles like Activision and (3) it is a private company, and, as such, there is no available data relating to its historical trading multiples.

Based upon the enterprise values implied for Blizzard Entertainment by the valuation methodologies described above, Allen & Company estimated a value range for Blizzard Entertainment of \$8.2 billion to \$9.0 billion.

Allen & Company also examined Wall Street analyst valuations for Vivendi Games. As of the date of Allen & Company's opinion, many of the published valuations for Vivendi Games ascribed by Wall Street analysts were significantly below Allen & Company's estimated value range for Blizzard Entertainment. As of the date of Allen & Company's opinion, Vivendi had not publicly disclosed separate financial performance data for the individual businesses of Vivendi Games. As such, Wall Street analyst valuations were predicated upon operating income and cash flow measures consolidating estimated losses from Sierra, Sierra Online and Vivendi Games Mobile. In certain cases, Wall Street analysts provided transparency on valuation methodologies employed to derive the valuation estimate published for Vivendi Games. Allen & Company determined that in many of these cases, if these analysts applied their stated valuation methodology to the operating income and cash flow measures for Blizzard Entertainment as provided by Vivendi Games management, the resulting value for Blizzard Entertainment would fall within Allen & Company's estimated value range.

Other Vivendi Games Businesses. Allen & Company's valuation analyses for Sierra, Sierra Online and Vivendi Games Mobile derived a range of values for each in which the high value represented the DCF value of continuing to operate the business as a going concern, assuming a terminal multiple based on applicable trading multiples of comparable public companies, and the low value represented the present value of the estimated cost to shut down the business including additional operating losses which would be incurred prior to shut-down occurring. Allen & Company used a discount rate of 12.5% in its DCF analyses to calculate the present value as of December 1, 2007 of the low value cases for each business. Allen & Company used discount rates of 12.5% for Sierra, 40.0% for Sierra Online and 40.0% for Vivendi Games Mobile to calculate the present value as of December 1, 2007 of the high value cases for each business. For the Sierra high value case, the terminal multiple was based upon calendar year 2007 revenue multiples implied by the enterprise values for Atari, Majesco and SCI Entertainment. For the Sierra Online high value case, the terminal multiple was based upon calendar year 2007 revenue multiples implied by the enterprise values for NCSoft and The9 Limited. For the Vivendi Games Mobile high value case, the terminal multiple was based upon calendar year 2007 revenue multiples implied by the enterprise values for BuonGiorno, GameLoft and Glu Mobile. Allen & Company's DCF analyses for each of Sierra, Sierra Online and Vivendi Games Mobile assumed closing of the transaction on March 31, 2008 and a tax rate of 36.0%. Based on Allen & Company's DCF analyses of Sierra, Sierra Online and Vivendi Games Mobile, their aggregate value range was determined to be \$(82) million to \$491 million.

Combined Value Range for Vivendi Games. Combining the value ranges of Vivendi Games' other businesses with the value range for Blizzard, Allen & Company determined that the net value of Vivendi Games ranged between a low valuation case of \$8.1 billion and a high valuation case of \$9.5 billion. Allen & Company then deducted \$148 million from both the low and high valuation cases, representing Allen & Company's estimate, made solely for purposes of its analyses, of the amount payable by Vivendi Games' with respect to the Blizzard equity plan, net of the resulting tax benefit. (Under the terms of the Blizzard equity plan, the value of Blizzard, and the resulting payments owed under the Blizzard equity plan, are determined pursuant to a methodology set forth in the Blizzard equity plan. Consequently, the estimate used by Allen & Company may not reflect the actual payment obligations under the Blizzard equity plan.)

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Based upon the foregoing value ranges for Vivendi Games, Allen & Company was able to calculate an implied exchange ratio for Vivendi Games under both the low valuation case and the high valuation case. These calculations yielded an implied exchange ratio of 362,266.79242 on the low end and 424,694.59760 on the high end. The exchange ratio as set forth in the business combination agreement is 369,136.36364 which falls within the range of these cases.

For additional information regarding Vivendi Games, see "Risk Factors," "Vivendi Games Business," and "Vivendi Games Management's Discussion and Analysis of Financial Condition and Results of Operation of Vivendi Games" in this proxy statement.

Per Share Transaction Price of the Tender Offer

In addition to the methodologies described above in the section entitled "Per Share Transaction Price of the Share Purchase," which were employed by Allen & Company in its evaluation of the per share transaction price of shares issued by Activision in the share purchase, Allen & Company analyzed and examined the premiums paid in comparable self-tender offers over the market price prior to the announcement. More specifically, Allen & Company analyzed the premiums paid in 28 transactions since January 1, 1999 involving domestic public companies that executed self-tender offers for shares for an amount exceeding \$100 million. For this universe of transactions, Allen & Company found that the tender price compared to the self-tendering companies' share prices prior to announcement of their self tender ranged from a discount of (8.0)% to a premium of 45.5%, with a median premium of 7.2%. Allen & Company found that the \$27.50 per share transaction price of the tender offer represented a premium to Activision's market price prior to the announcement which is significantly greater than the median of the range of premiums paid in comparable self-tender offers.

Implications of The Business Combination Agreement Transactions as a Whole

In considering the implications of the transactions contemplated by the business combination agreement taken as a whole to both Activision and its stockholders, Allen & Company performed the following additional analyses: (a) an accretion and dilution analysis; and (b) a determination of value to Activision's stockholders as a result of the transactions using (w) an analysis of the premiums implied by this value range; (x) an analysis of the multiples implied by this value range as compared to trading multiples of comparable public companies; (y) an analysis of the multiples implied by this value range as compared to multiples paid in comparable precedent transactions; and (z) an analysis of the value range compared to a DCF analysis of Activision as a stand-alone entity.

Accretion/Dilution Analysis. Allen & Company found that the transaction would be accretive to the stockholders of Activision on a calendar year 2008 basis pro forma as if the transaction occurred on January 1, 2008, and on a calendar year 2009 basis. Allen & Company also examined the impact on accretion/dilution of no tender offer occurring, but a future buyback (which is not contemplated or required by the business combination agreement) of \$3.328 billion worth of shares at a 10-20% premium to the per share transaction price of the tender offer being consummated. Allen & Company found that the transaction would be accretive regardless of whether the tender offer is consummated. Allen & Company performed its analysis based on financial estimates developed by Activision for Vivendi Games as well as financial estimates provided by Vivendi Games management for its various businesses. Financial estimates for Activision were provided by its management. Allen & Company's accretion/dilution analysis was not prepared in accordance with generally accepted accounting principles in the United States and did not reflect any one-time restructuring charges, stock-based compensation or additional intangible amortization that may result from the proposed transaction. In performing its accretion/dilution analysis, Allen & Company assumed a projected stand-alone cash balance for Activision of \$1.35 billion as of an estimated closing date of March 31, 2008, an average interest rate on cash earned of 4.5%, an average interest rate on debt of 7.5% and a marginal tax rate of 36.0%. Allen & Company's analysis factored in various liabilities assumed at Vivendi Games. In addition,

Allen & Company assumed an increase of shares outstanding for Activision in each of calendar years 2008 and 2009 to take into account share issuances resulting from future stock-based compensation.

Using financial estimates developed by Activision for Vivendi Games and based on the assumptions summarized above, in the event the tender offer is fully subscribed at a price of \$27.50, the transaction would be \$0.15 accretive to pro forma calendar year 2008 EPS and \$0.19 accretive to calendar year 2009 EPS. In the event no shares are tendered, the transaction would be \$0.14 accretive to pro forma calendar year 2008 EPS and \$0.12 accretive to calendar year 2009 EPS. In the event no shares are tendered, but a future buy-back of \$3.328 billion worth of shares is consummated at a 10% premium to the per share transaction price of the tender offer, the transaction coupled with the buy-back would be \$0.13 accretive to pro forma calendar year 2008 EPS and \$0.16 accretive to calendar year 2009 EPS.

Using financial estimates provided by Vivendi Games management in August 2007 for Vivendi Games, in the event the tender offer is fully subscribed at a repurchase price of \$27.50, the transaction would be \$0.15 accretive to pro forma calendar year 2008 EPS and \$0.30 accretive to calendar year 2009 EPS. In the event no shares are tendered, the transaction would be \$0.14 accretive to pro forma calendar year 2008 EPS and \$0.22 accretive to calendar year 2009 EPS. In the event no shares are tendered, but a future buy-back of \$3.328 billion worth of shares is consummated at a 10% premium to the per share transaction price of the tender offer (which is not contemplated or required by the business combination agreement), the transaction coupled with the buy-back would be \$0.13 accretive to pro forma calendar year 2008 EPS and \$0.28 accretive to calendar year 2009 EPS.

Value to Activision's Stockholders. Allen & Company utilized the values established in its previous analyses to establish a range pro forma enterprise values for Activision. The components to establish this enterprise value range consisted of: (a) the enterprise value of Activision as determined by the public trading value of Activision's common stock as of the date of Allen & Company's opinion; (b) the value of Vivendi Games as determined by Allen & Company's estimated value range for Vivendi Games; and (c) an estimate for the capitalized value of estimated synergies. This analysis resulted in a range of potential future enterprise values for the combined company. Allen & Company analyzed the blended value to Activision's stockholders that would result assuming that all stockholders tender in the tender offer if the blended value was below \$27.50 and that no stockholders would tender if the blended value was above \$27.50. Allen & Company's analysis indicated that the value to Activision's stockholders ranged from \$25.81 to \$27.85, with a midpoint of \$26.77.

Premiums Implied by the Range of Blended Value. Allen & Company compared the range of value to Activision's stockholders of \$25.81 to \$27.85 to various measures relating to the price of Activision's common stock between the dates of November 1, 2007 and November 29, 2007. These measures included: (a) the closing price; (b) the 10-day trailing average closing prices; (c) the 4-weeks prior closing prices; and (d) the 20-day trailing average closing prices.

Allen & Company demonstrated that the premium represented by the low end of the range of value to Activision's stockholders of \$25.81 ranged from 12% - 36% to the closing prices, 12% - 29% to the 10-day trailing average closing prices, 9% - 17% to the 4-weeks prior closing prices and 13% - 22% to the 20-day trailing average closing prices during the time period between November 1, 2007 and November 29, 2007. As of the closing price on November 29, 2007, the premium represented by the implied blended \$25.81 value was 17% to the closing price, 26% to the 10-day trailing average closing price, 12% to the 4-weeks prior closing prices and 22% to the 20-day trailing average closing prices.

Allen & Company demonstrated that the premium represented by the high end of the range of value to Activision's stockholders of \$27.85 ranged from 21% - 47% to the closing prices, 21% - 39% to the 10-day trailing average closing prices, 18% - 27% to the 4-weeks prior closing prices and 22% - 32% to the 20-day trailing average closing prices during the time period between November 1, 2007

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and November 29, 2007. As of the closing price on November 29, 2007, the premium represented by the implied blended \$27.85 value was 27% to the closing price, 36% to the 10-day trailing average closing prices, 21% to the 4-weeks prior closing prices and 32% to the 20-day trailing average closing prices.

Allen & Company demonstrated that the premium represented by the midpoint of the range of implied blended value to Activision's stockholders of \$26.77 ranged from 16% - 41% to the closing prices, 16% - 34% to the 10-day trailing average closing prices, 13% - 22% to the 4-weeks prior closing prices and 17% - 27% to the 20-day trailing average closing prices during the time period between November 1, 2007 and November 29, 2007. As of the closing price on November 29, 2007, the premium represented by the implied blended \$26.77 value was 22% to the closing price, 31% to the 10-day trailing average closing prices, 16% to the 4-weeks prior closing prices and 27% to the 20-day trailing average closing prices.

Analysis of the Multiples Implied by the Range of Blended Value as Compared to Trading Multiples of Comparable Public Companies. Although Allen & Company believed that no companies were directly comparable to Activision, it nonetheless analyzed and examined current trading multiples for companies which it considered similar to, or which operate within the same industry as, Activision. See the section entitled "Per Share Transaction Price of the Share Purchase Comparable Public Company Multiples Analysis."

Allen & Company calculated various valuation multiples, including: the ratio of share price to the estimated EPS and the ratio of enterprise value to the estimated EBITDA on a projected calendar year basis for 2007, 2008 and 2009 for each of the selected companies. Allen & Company determined that the range of blended value to Activision's stockholders of \$25.81 to \$27.85 and the implied enterprise and equity value multiples derived therefrom were within or above the range of multiples of comparable publicly traded companies in both the interactive entertainment industry as well as in the broader entertainment industry. EBITDA and EPS projections and estimates were derived from Wall Street analyst research.

	Multiples Implied by Range of Value to Company's Stockholders		Range of Multiples from Comparable Publicly-Traded Companies
	Low \$25.81	High \$27.85	
EV / CY07 EBITDA	20.2x	22.1x	6.1x - 35.0x
EV / CY08 EBITDA	16.6x	18.2x	7.4x - 37.0x
EV / CY09 EBITDA	14.4x	15.8x	7.5x - 18.7x
Price / CY07 EPS	32.6x	35.1x	9.4x - 54.9x
Price / CY08 EPS	26.8x	28.9x	11.0x - 61.2x
Price / CY09 EPS	23.9x	25.8x	8.8x - 32.1x

Analysis of the Multiples Implied by the Range of Blended Value to Activision's Stockholders as Compared to Multiples Paid in Comparable Precedent Transactions. Allen & Company reviewed selected precedent transactions that had announcement dates between 1998 and 2007 and had publicly-disclosed information or industry analyst estimates from which purchase price multiples could be derived. Finding that there were no transactions of comparable scale in the interactive entertainment industry, Allen & Company examined the broader entertainment industry for acquired businesses having characteristics similar to Activision. See "Per Share Transaction Price of the Share Purchase Comparable Public Company Multiples Analysis."

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As indicated by the chart below, Allen & Company determined that the range of blended value to Activision's stockholders of \$25.81 to \$27.85 and the implied enterprise value and equity value multiples for Activision derived therefrom were above or within the range of multiples paid in comparable transactions in the broader entertainment industry.

	Multiples Implied by Range of Value to Activision's Stockholders		Range of Multiples from Comparable Transactions in Broader Entertainment Industry
	Low \$25.81	High \$27.85	
Enterprise Value / LTM EBITDA	32.2x	35.2x	16.1x - 29.3x
Enterprise Value / Forward EBITDA	20.2x	22.1x	13.2x - 19.7x
Equity Value / LTM Net Income	48.1x	52.1x	30.8x - 49.7x
Equity Value / Forward Net Income	32.6x	35.1x	28.0x - 35.4x

DCF Analysis of Activision as a Stand-Alone Entity. Allen & Company's DCF approach was based upon certain financial projections and estimates for Activision through the year 2013 that were derived from Wall Street analyst reports, which reports included financial projections and assumptions that Allen & Company and Activision's management believed were appropriate for such analysis and incorporated Activision's updated guidance issued at the end of November 2007. Allen & Company used a DCF analysis to identify a range of present values for Activision's common stock based upon terminal forward P/E multiples ranging from 21x - 25x and discount rates ranging from 12% - 13%, resulting in a calculated per share range of between \$22.03 and \$25.55. The discount rates used for Activision were based upon the estimated weighted average cost of capital for publicly traded diversified publishers in the interactive entertainment industry. Allen & Company determined that the range of blended value to Activision's stockholders of \$25.81 and \$27.85 exceeded the range of values indicated by its DCF analysis for Activision.

General Matters Relating to Allen & Company Engagement

Allen & Company's opinion and presentation to the Activision board of directors was one of many factors that the board of directors took into account in making its decision. Consequently, the analyses described above should not be viewed as determinative of the opinion of the board in determining the fairness, from a financial point of view, to Activision and its stockholders of the per share transaction price of the share purchase, the exchange ratio of the merger and the per share transaction price of the tender offer, taking into account the transactions contemplated by the business combination agreement as a whole.

Pursuant to an engagement letter dated December 1, 2007, the Activision board of directors confirmed the prior engagement of Allen & Company, which began in March 2007, to act as its financial advisor in connection with reviewing and evaluating (a) Activision's financial condition and historical and projected financial results, (b) Activision's current operations and business prospects, and (c) the current condition of the industry, as well as any prevailing trends, and Activision's competitive position therein and (d) among other things, advising Activision regarding potential transactions. In connection with evaluating such transaction, Allen & Company (i) advised Activision with respect to Allen & Company's analysis of the proposed transaction, (ii) advised Activision as to its view of any appropriate and alternative courses of action relating to the proposed transaction, (iii) assisted Activision in structuring the proposed transaction, and (iv) rendered its opinion on the proposed transaction to the Activision board of directors. Allen & Company was selected by the board based on Allen & Company's qualifications and reputation. Allen & Company, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and

similar recapitalizations, negotiated underwritings, secondary distributions of listed and unlisted securities, and valuations for corporate and other purposes. Except as described in the opinion, Allen & Company does not have and has not had any material relationships involving the payment or receipt of compensation between Allen & Company and Activision, Vivendi, and to Allen & Company's knowledge, any of their respective affiliates during the last two years. For more than the past five years, Allen & Company has advised Activision in connection with other potential transactions, but it has not been compensated for these services. Allen & Company or its affiliates, in the ordinary course of their business as a broker-dealer and market maker, may have long or short positions, either on a discretionary or nondiscretionary basis, for their own accounts or for those of their clients, in the debt and equity securities (or related derivative securities) of Activision, Vivendi or any of their respective affiliates.

Pursuant to the terms of the engagement letter, Allen & Company was paid a fee of \$1,000,000 upon delivery of the opinion to the Activision board of directors, with such fee creditable against any "transaction fee" subsequently paid to Allen & Company. Contingent upon the completion of the transaction, Activision has agreed to pay to Allen & Company a cash fee, which we refer to herein as the transaction fee, in the amount of \$27,500,000 for Allen & Company's financial advisory services. Activision has also agreed to reimburse Allen & Company's expenses and indemnify Allen & Company against certain liabilities arising out of such engagement.

Activision's Internal Financial Forecasts

Activision provided certain internal non-GAAP financial analyses and forecasts prepared by management for its 2008, 2009 and 2010 fiscal years to Vivendi, Activision's board of directors, the NCGC and Allen & Company during the course of Vivendi's due diligence review of Activision. This information represented financial projections and scenario analyses prepared on a non-GAAP basis for financial planning purposes only. These internal non-GAAP financial analyses and forecasts, which were delivered to Vivendi in August 2007 and updated in November 2007, consisted of (a) base case scenarios, which constituted management's conservative projections and generally were consistent with Wall Street estimates at the time, (b) upside scenarios that included more favorable assumptions as to Activision's product performance than the base scenarios and (c) stretch scenarios that included more aggressive assumptions than the base scenarios or the upside scenarios. We refer to the base scenarios, the upside scenarios, and the stretch scenarios collectively as the company's internal financial forecasts. The internal financial forecasts did not reflect any of the effects of the transaction contemplated under the business combination agreement, the tender offer or any other changes that may in the future affect Activision or its business or results of operations in light of the circumstances then existing. The internal financial forecasts also did not reflect any impact incurred from any stock option expenses in accordance with SFAS No. 123R, or any deferral of revenue related to online enabled games.

The internal financial forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts, or generally accepted accounting principles. The prospective financial information contained in the internal financial forecasts included in this proxy statement was prepared by, and is the responsibility of, Activision's management. Neither PricewaterhouseCoopers LLP nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained in the internal financial forecasts, and accordingly, neither PricewaterhouseCoopers LLP nor any other independent accountants express any opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in this proxy statement relates to Activision's historical financial information. It does not extend to the prospective financial information and should not be read to do so. The summary of the internal financial forecasts is not being included in this proxy statement to influence your decision whether to approve the

proposals discussed herein, but because the internal financial forecasts were made available by Activision to Vivendi. For purposes of rendering its fairness opinion and performing the underlying financial analyses, Allen & Company utilized then-current Wall Street estimates, which included updated guidance issued by Activision on November 27, 2007 and which Activision and Allen & Company believed were appropriate for such analysis. See "The Transaction Opinion of Activision's Financial Advisor."

The internal financial forecasts were based on expectations and assumptions at the time such internal financial forecasts were prepared and are subject to risks and uncertainties, many of which are beyond the control of Activision and may prove not to have been, or may no longer be, accurate. A number of important factors could cause Activision's results for the fiscal year ending March 31, 2009 and 2010 to differ materially from those expressed in such internal financial forecasts.

Such factors include, without limitation, sales of Activision's titles during fiscal year 2009, shifts in consumer spending trends, the seasonal and cyclical nature of the interactive game market, Activision's ability to predict consumer preferences among competing hardware platforms, including next-generation hardware, declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision's products, adoption rate and availability of new hardware and related software, industry competition, rapid changes in technology and industry standards, protection of proprietary rights, maintenance of relationships with key personnel, customers, vendors and third-party developers, domestic and international economic, financial, and political conditions and policies, foreign exchange rates, the integration of recent acquisitions, and the identification of suitable future acquisition opportunities, the timing and successful completion of the business combination with Vivendi Games, the combined company's success in integrating the operations of Activision and Vivendi Games in a timely manner, or at all, and the combined company's ability to realize the anticipated benefits and synergies of the transaction to the extent or in the timeframe anticipated.

Other such factors include the further implementation, acceptance and effectiveness of the remedial measures recommended or adopted by the special sub-committee of independent directors established in July 2006 to review historical stock option granting practices by Activision and its board of directors, the finalization of the tentative settlement of the SEC's formal investigation and final court approval of the proposed settlement of the derivative litigation filed in July 2006 against certain current and former directors and officers of Activision relating to Activision's stock option granting practices, and the possibility that additional claims and proceedings will be commenced, including additional action by the SEC and/or other regulatory agencies, and other litigation unrelated to stock option granting practices.

The inclusion of the internal financial forecasts in this proxy statement should not be regarded as an indication that any of Activision or its officers, directors, affiliates, advisors or representatives considered or consider the internal financial forecasts to be predictive of actual future events, and should not be relied upon as such. None of Activision nor its officers, directors, affiliates, advisors or representatives can give you any assurance that actual results for fiscal year ending March 31, 2009 and 2010 will not differ from the internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile the internal financial forecasts to reflect circumstances existing after the date such internal financial forecasts were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the internal financial forecasts are shown to be in error. Activision does not intend to make publicly available any update or other revisions to its internal financial forecasts.

The chart below sets forth the then projected non-GAAP revenue, operating margin and earnings per share estimates contained in the internal financial forecasts provided to Vivendi in August 2007, and were intended to be read in light of the above mentioned assumptions and uncertainties and the risks described in "Risk Factors" elsewhere in this proxy statement. Activision did not prepare nor

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provide internal forecasts on a U.S. GAAP basis. U.S. GAAP financials were only provided in Activision's historical financial statements, including Activision's actual results for the fiscal year ended March 31, 2008.

Forecast Year Ended March 31,

Base Case Scenarios			Upside Case Scenarios			Stretch Case Scenarios		
2008	2009	2010	2008	2009	2010	2008	2009	2010

(dollars in millions, except per share data)

Revenue	\$ 1,870	\$ 2,300	\$ 2,600	\$ 2,124	\$ 2,532	\$ 2,858	\$ 2,253	\$ 2,572	\$ 3,025
Operating margin	13%	15%	18%	13%	15%	18%	16%	19%	22%
Earning per share	\$ 0.61	\$ 0.80	\$ 1.00	\$ 0.68	\$ 0.87	\$ 1.08	\$ 0.83	\$ 1.09	\$ 1.37

In November 2007, Activision provided Vivendi with revised guidance for the fiscal year ended March 31, 2008 based on financial analyses performed by Activision in November 2007. For the fiscal year ended March 31, 2008, Activision revised its revenue guidance for the upside scenario and stretch scenario to \$2,300 million and \$2,450 million, respectively. Activision also revised operating margin guidance for fiscal year 2008 for the upside and stretch scenarios to 16% and 17%, respectively. Furthermore, Activision revised its earnings per share guidance for the fiscal year ending March 31, 2008 to \$0.85 and \$0.95 for each of the upside and stretch scenarios, respectively.

In April 2008, Activision provided Vivendi with revised guidance for the fiscal year ended March 31, 2008 and fiscal year ending March 31, 2009 based on financial analyses performed by Activision in March 2008. For the fiscal year ended March 31, 2008, Activision revised its revenue guidance to \$2,856 million and its earnings per share guidance to \$1.16 for each of the upside and stretch scenarios. For the fiscal year ending March 31, 2009, Activision revised its revenue guidance to \$2,892 million and \$3,042 million for each of the upside and stretch scenarios, respectively. For the fiscal year ending March 31, 2009, Activision revised its earnings per share guidance to \$1.23 and \$1.43 for each of the upside and stretch scenarios, respectively. However, at this time, although the financial projections for the fiscal year ending March 31, 2010 were out-dated, Activision did not provide Vivendi with revised guidance for this period. As such, it should be noted that the forecast information presented in the preceding table for fiscal year 2010 for the base case, the upside, and the stretch scenarios is outdated and should no longer be relied upon.

On May 8, 2008, Activision publicly announced results for the fiscal year ended March 31, 2008. Activision reported revenues of \$2.90 billion, net income of \$344.9 million and earnings per diluted share of \$1.10. Excluding the impact of expenses related to equity-based compensation, Activision reported non-GAAP net income of \$377.5 million and non-GAAP earnings per diluted share of \$1.20 for the fiscal year. Following the completion of Activision's annual operating plan for fiscal year ending March 31, 2009, and approval of the plan by its board of directors on May 6, 2008, Activision publicly announced revenue guidance of \$2.75 billion on a GAAP basis and \$3.1 billion excluding the impact of the change in deferred revenue related to online enabled games. Activision also publicly announced fiscal year 2009 guidance of GAAP earnings per share of \$0.72, and non-GAAP earnings per share of \$1.30, excluding the impact of equity-based compensation expense (\$0.12 per share), one-time costs related to the Vivendi transaction (\$0.07 per share), and the impact of the change in deferred net revenues and costs of sales related to online-enabled games (\$0.39 per share).

Interests of Activision's Executive Officers and Directors in the Transaction

When you consider our board of directors' recommendation to vote in favor of the proposals presented in this proxy statement, you should be aware that some of our executive officers and directors have interests in the transaction that may be different from, or in addition to, the interests of other Activision stockholders.

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Our current board of directors consists of eight members. Of these eight, Messrs. Kotick, Kelly, Corti, Morgado and Sarnoff will continue as directors of Activision Blizzard after the closing date. Additionally, Activision Blizzard has agreed to provide Activision's current directors with customary indemnification and insurance coverage.

We also expect that several members of our existing management team will continue to serve in executive positions with the combined company.

Certain of our existing executives have entered into amended employment arrangements with Activision. On December 1, 2007, Messrs. Kotick and Kelly entered into amended and restated employment agreements with Activision. Mr. Kotick will serve as President and Chief Executive Officer of the combined company and Mr. Kelly will serve as Co-Chairman. Additionally, on the closing date, Mr. Kotick will receive a grant of 1,250,000 performance shares, which will vest in 20% increments on each of the first, second, third and fourth anniversaries of the closing date, with another 20% vesting on December 31, 2012, the expiration date of Mr. Kotick's employment agreement, subject to the attainment of certain performance thresholds. Messrs. Kotick and Kelly have also agreed to the waiver of certain change in control benefits to which they may have been entitled as a result of the transaction. In addition, they have entered into replacement bonus agreements pursuant to which they will each receive a grant of 363,637 restricted stock units, or RSUs, and a cash bonus of \$5,000,000 on the date of the signing of the replacement bonus agreements and on the closing date (so long as the closing occurs on or before June 30, 2009).

Additionally, on December 1, 2007, Michael J. Griffith, currently the President and Chief Executive Officer of Activision Publishing, entered into an amendment to his existing employment agreement to provide additional incentives for Mr. Griffith to remain employed by Activision Publishing following the completion of the transaction. The amendment to Mr. Griffith's employment agreement becomes effective upon completion of the transaction and provides for, among other things, a modified vesting schedule for certain equity awards previously granted to Mr. Griffith. Additionally, the amendment provides that, on the closing date, Mr. Griffith will receive 50,000 stock options and 50,000 RSUs.

See the section of this proxy statement entitled "Board and Management of Activision Blizzard" for additional information.

The Activision board of directors was aware of these interests and considered them, among other things, in making its recommendation that Activision stockholders vote for the approval of the share issuance proposal, the charter amendment proposal and the bylaw amendment proposal.

Rights Plan Amendment

On April 18, 2000, Activision's board of directors approved a stockholders rights plan, pursuant to which each common stockholder at the close of business on April 19, 2000 received a dividend of one right for each share of common stock held. The rights were only exercisable if a person or group acquired 15% or more of the common stock of Activision, or announced or commenced a tender or exchange offer which would result in the bidder's beneficial ownership of 15% or more of our common stock. On the record date, there were no shares of the Series A Junior Preferred Stock outstanding.

In accordance with the terms of the business combination agreement, Activision has amended the rights plan so that (a) neither Vivendi nor any of its affiliates are considered an "Acquiring Person" or a "Beneficial Owner of Common Stock" for purposes of the plan and (b) no "Distribution Date" or "Triggering Event" (as such terms are defined in the rights plan) will occur as a result of the execution, delivery, or performance of the business combination agreement or the completion of the transaction. As a result of such amendments, the rights will not separate from the shares and will not become exercisable as a result of the execution, delivery or performance of the business combination agreement or the completion of the transaction. In addition, the rights plan amendment provides that the rights

plan will terminate upon the completion of the transaction and all rights existing under the rights plan will be extinguished.

New Credit Facilities

The following summary describes the material provisions of the new credit facilities. A copy of the credit agreement governing the new credit facilities is attached as Annex G to this proxy statement and is incorporated by reference into this proxy statement. The rights and obligations of the parties to the credit agreement are governed by the express terms and conditions of the credit agreement and not by this summary. This summary may not contain all of the information about the credit agreement that is of importance to you and is qualified in its entirety by reference to the complete text of the credit agreement. We encourage you to read the credit agreement carefully and in its entirety for a more complete understanding of the new credit facilities.

On April 29, 2008, Activision, acting on behalf of the combined company, entered into a senior unsecured credit agreement with Vivendi, borrowings under which cannot be effected until the closing of the transaction. The credit agreement will provide Activision Blizzard, after the closing of the transaction, with (a) a term loan credit facility, or the Tranche A Facility, in an aggregate amount of up to \$400.0 million to be applied to fund that portion of the post-closing tender offer consideration, if any, in excess of \$3.628 billion, as discussed in the section of this proxy statement entitled "The Business Combination Agreement The Tender Offer Funding of the Tender Offer," (b) a term loan credit facility, or the Tranche B Facility, in an aggregate amount of up to \$150.0 million to be applied to repay the Vivendi Games Loan Facility, as discussed in the section of this proxy statement entitled "The Transaction Vivendi Games Loan Facility," and (c) a revolving credit facility, or the Revolving Facility, in an aggregate amount at any time outstanding of up to \$475.0 million to be used after the closing of the transaction for general corporate purposes. The Tranche A Facility, the Tranche B Facility and the Revolving Facility are referred to in the proxy statement, collectively, as the new credit facilities. In the event that the business combination agreement terminates prior to the closing date of the transaction, the new credit facilities will terminate effective on the same date.

Subject to execution of customary closing documentation, the Tranche A Facility will be funded after the end of the tender offer period, in a single borrowing which is limited to the amount, if any, of the aggregate consideration to be paid in respect of the post-closing tender offer in excess of \$3.628 billion. The Tranche B Facility will be funded after the closing of the transaction and concurrently with the full repayment and cancellation of the Vivendi Games Loan Facility, in an amount equal to the amount paid to repay the amounts outstanding under the Vivendi Games Loan Facility. Borrowings under the Revolving Facility will be subject to the foregoing conditions and other customary conditions, such as the truth of representations and warranties and the absence of default.

Borrowings under each of the new credit facilities will bear interest by reference to the "LIBOR" (and under limited circumstances, at Vivendi's election, a "Base Rate"). The applicable margin with respect to loans bearing interest by reference to the LIBOR will be (i) 0.85% per annum for loans under the Tranche A Facility and (ii) 1.20% per annum for loans under the Tranche B Facility and the Revolving Facility, respectively. The applicable margin with respect to loans bearing interest with reference to the Base Rate, if any, will be 1.0% lower than the margin applicable to LIBOR borrowings.

Any unused amounts under the Revolving Facility will be subject to a commitment fee of 0.42% per annum accruing from and after the closing of the transaction.

The Tranche A Facility is payable in full on March 31, 2010. The Tranche B Facility and the Revolving Facility will terminate and be payable in full on March 31, 2011.

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The loans under each of the new credit facilities may be prepaid in full or in part at any time, without premium or penalty (subject to customary breakage costs for loans bearing interest by reference to LIBOR), at Activision Blizzard's option.

The loans under each of the new credit facilities are subject to mandatory prepayment in an amount of 100% of the proceeds from (a) asset sales in excess of \$30.0 million in the aggregate (subject to customary reinvestment rights) and (b) issuance of equity (subject to exceptions for issuance of stock to employees and issuances the proceeds of which are used to fund permitted acquisitions, investments and/or capital expenditures).

The new credit facilities are subject to customary negative covenants, in each case subject to certain exceptions, qualifications and baskets, including limitations on: indebtedness; liens; investments, mergers, consolidations and acquisitions; transactions with affiliates; issuance of preferred stock by subsidiaries; sale and leaseback transactions, restricted payments and certain restrictions with respect to subsidiaries. The limitation on indebtedness provides that Activision Blizzard and its subsidiaries cannot incur consolidated indebtedness, net of unrestricted cash, in excess of \$1.5 billion, and that no additional indebtedness may be incurred as long as the ratio of Activision Blizzard's consolidated indebtedness (including the indebtedness to be incurred) minus the amount of unrestricted cash to Activision Blizzard's consolidated earnings before interest, taxes, depreciation and amortization for its most recently ended four quarters would be greater than 1.50 to 1.0. This limitation does not, however, affect Activision Blizzard's ability to borrow under the new credit facilities or to incur certain types of limited debt.

The new credit facilities also impose a requirement on Activision Blizzard that the ratio of (a) its consolidated indebtedness (net of certain cash) to (b) the sum of its shareholder's equity plus consolidated indebtedness (net of certain cash) not exceed 20.0% at any time.

Events of default under the new credit facilities include nonpayment, breaches of representations, warranties or covenants, cross-defaults, bankruptcy or insolvency events, and failures to satisfy material judgments, in most events subject to materiality levels, grace periods and other customary exceptions.

A copy of the credit agreement governing the new credit facilities is attached as Annex G to this proxy statement and is incorporated by reference into this proxy statement. The terms of the credit facility can be amended only by agreement between Vivendi and Activision, with any such amendment approved on behalf of Activision by a majority of the independent directors of Activision.

Vivendi Games Loan Facility

At the time of the closing of the transaction, Vivendi Games will have a credit facility in place, which we refer to in this proxy statement as the Vivendi Games Loan Facility, that will permit Vivendi Games to borrow from an unaffiliated third party an amount up to \$150 million for general corporate purposes. Pursuant to the terms of the business combination agreement, Vivendi has agreed that, at the closing of the transaction, the amount outstanding under the Vivendi Games Loan Facility, together with all other indebtedness for money borrowed of Vivendi Games and its subsidiaries (excluding Vivendi Games intracompany indebtedness), will not be more than the aggregate amount of cash and cash equivalents held by Vivendi Games and its subsidiaries on that date, less \$15 million. The Vivendi Games Loan Facility is expected to bear interest at 120 basis points over LIBOR and will be payable in full not later than thirty days after the closing of the transaction. It may also be prepaid in full or in part at any time without penalty. The Tranche B Facility may be used solely to repay the Vivendi Games Loan Facility at any time after the closing of the transaction, and the amount available under the Tranche B Facility for such purpose will be sufficient to repay in full any amounts outstanding under the Vivendi Games Loan Facility on the closing date of the transaction. See "The Transaction New Credit Facilities" of this proxy statement.

No Appraisal Rights

Under Section 262 of the DGCL, Activision stockholders are not entitled to appraisal rights in connection with the transaction.

Material United States Federal Income Tax Consequences

The following is a summary of the anticipated material United States federal income tax consequences to Activision stockholders of the adoption of the proposed amendments to Activision's certificate of incorporation and the consummation of the transaction. This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be important to particular Activision stockholders in light of their individual investment circumstances, such as stockholders subject to special tax rules (*e.g.*, financial institutions, insurance companies, broker-dealers, partnerships and their partners, tax-exempt organizations (including private foundations), and non-United States stockholders) or to persons that will hold Activision stock as part of a straddle, hedge, conversion, constructive sale, or other integrated security transaction for United States federal income tax purposes, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss any tax considerations related to state, local or non-United States tax laws. Each Activision stockholder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income tax considerations of the adoption of the proposed amendments and the consummation of the proposed transaction.

Activision stockholders will not recognize any gain or loss for United States Federal income tax purposes as a result of (a) an adoption of the proposed amendments to Activision's certificate of incorporation or (b) the consummation of the transaction.

U.S. Federal or State and Foreign Regulatory Matters

The transaction is subject to review by the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and state antitrust authorities pursuant to applicable federal and state antitrust laws. Under the provisions of the HSR Act, the transaction cannot be completed until (a) the companies have filed the required notification and report forms and have provided certain information and materials to the U.S. Federal Trade Commission and to the Antitrust Division of the U.S. Department of Justice, and (b) the applicable waiting period has expired or been terminated. Activision and Vivendi have made these filings and the waiting period under the HSR Act expired on January 16, 2008.

Both Activision and Vivendi conduct business in member states of the European Union. Council Regulation (EC) No. 139/2004, as amended, and accompanying regulations require notification to, and approval by, the European Commission of specific transactions, including the transaction, involving parties with worldwide sales and individual European Union sales exceeding specified thresholds before these transactions can be implemented, which approval was received on April 16, 2008.

Accounting Treatment

The transaction will be accounted for as a reverse acquisition under the purchase method of accounting under U.S. GAAP. For this purpose, Vivendi Games will be deemed to be the accounting acquiror and Activision will be deemed to be the accounting acquiree. Accordingly, Activision Blizzard will account for the transaction as a purchase business combination, using Vivendi Games' historical financial information and accounting policies and applying fair value estimates to the acquired assets, liabilities and commitments of Activision as of the date of the transaction.

Litigation Related to the Transaction

On February 8, 2008, the Wayne County Employees' Retirement System filed a putative class action complaint in the Delaware Court of Chancery against Robert J. Corti, Ronald Doornink, Barbara S. Isgur, Robert A. Kotick, Brian G. Kelly, Robert J. Morgado, Peter J. Nolan, and Richard Sarnoff, whom we refer to as the Directors, Activision, Merger Sub, Vivendi, VGAC, and Vivendi Games, challenging the transaction and the tender offer. The plaintiff alleged, among other things, that the Directors failed to fulfill their fiduciary duties with regard to the transaction and tender offer by "surrendering" the negotiating process to "conflicted management," and that those breaches were aided and abetted by Vivendi and those of its subsidiaries that are sued in the Delaware action. The plaintiff sought an order from the court that would, among other things, certify the case as a class action, enjoin the transaction, require the defendants to disclose all material information, declare that the transaction is in breach of the Directors' fiduciary duties and therefore unlawful and unenforceable, award the plaintiff and the putative class damages for all profits and special benefits obtained by the defendants in connection with the transaction and tender offer, and award the plaintiff its costs and expenses, including attorneys' fees.

According to the plaintiff, the Directors failed to inform themselves regarding the comparative value of alternative opportunities and failed to conduct a reasonable and independent process to seek and obtain the best price available in the transaction and a control premium for Activision's stockholders. The plaintiff alleged that the Directors (other than Messrs. Kotick and Kelly) did not participate in the negotiation of the transaction, that the Activision board of directors belatedly formed a special committee that was ineffective, and that the special committee was not authorized to (and did not) hire its own financial and legal advisors, but instead relied on our financial and legal advisors. The plaintiff alleged that Messrs. Kotick and Kelly were conflicted with regard to the transaction because of new employment agreements approved by the board of directors on December 1, 2007. The plaintiff also challenged certain "deal protection" features of the business combination agreement, as well as amendments to Activision's certificate of incorporation and bylaws that will be made in connection with the transaction. In addition, the plaintiff contended that the proposed tender offer is wrongfully coercive. The plaintiff also alleged that our preliminary proxy statement, which we refer to as the Preliminary Proxy, filed with the SEC on January 31, 2008, omitted certain material information concerning the transaction, and that certain statements in the Preliminary Proxy were false and misleading.

We filed a revised preliminary proxy statement with the SEC on April 30, 2008, which we refer to as the Revised Preliminary Proxy. On May 8, 2008, the plaintiff filed an amended complaint making the same substantive allegations set forth in the original complaint and seeking the same relief; however, the plaintiff added claims related to the Revised Preliminary Proxy.

In the original complaint, the plaintiff alleged that our Preliminary Proxy omitted certain allegedly material information concerning the transaction, including, but not limited to:

- (i) whether the special committee conveyed any "recommendations" or "views" to the board of directors regarding the final terms of the transaction approved by the board of directors on December 1, 2007, as well as any such "recommendations" or "views";
- (ii) whether the special committee made any recommendation or took any other action after the September 6, 2007 meeting;
- (iii) alternative strategic opportunities considered by the board of directors, the special committee, the board's financial advisors, or management, as well as any comparative analysis;
- (iv) whether Allen & Company gave different weight to its various analyses presented in the Preliminary Proxy and, if so, how the valuation analyses should be viewed by the stockholders given the disparate weighting and whether Allen & Company explained any disparate weighting to management, the board, or the special committee;

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- (v) a summary of the proposed provisions of Article 9 of Activision's post-closing certificate of incorporation, and the board's rationale for approving these provisions;
- (vi) other strategic alternatives likely to be available to Activision, and any comparative economic analysis of the value of such alternatives to the stockholders;
- (vii) whether Skadden Arps advised that the board or special committee was required to obtain the best available price for the stockholders for a sale of control, or what, if any, advice Skadden Arps provided to management, the board, or the special committee regarding the entitlement of the stockholders to a control premium;
- (viii) whether Skadden Arps advised Messrs. Kotick and Kelly with respect to their amended employment agreements, the voting and lock-up agreements, or other personal matters;
- (ix) the board's view as to whether the transaction represents the best value available for the stockholders for a sale of control of Activision;
- (x) the "material open issues" regarding governance and management discussed with the special committee by Skadden Arps at a September 6, 2007 meeting, and how these open issues were ultimately resolved;
- (xi) the terms of the engagement of Allen & Company and Skadden Arps, including but not limited to the amount of the opinion or transaction fee paid to Allen & Company and whether Skadden Arps is entitled to a transaction or success fee or other compensation;
- (xii) a description of how the compensation committee approved amended employment agreements, and how and by whom the new terms were determined;
- (xiii) whether other potential bidders for control were canvassed, solicited, or evaluated by management, the board, the special committee, or their advisors;
- (xiv) a description of any action or deliberation by the board at a meeting held on April 30, 2007, with respect to the advisability of a sale of control of Activision to Vivendi or any alternatives;
- (xv) whether the board had, before April 12, 2007, authorized management or the advisors to make a proposal to Vivendi involving a sale of control;
- (xvi) an explanation of why the special committee was formed;
- (xvii) whether the special committee was authorized to or did canvass, solicit, or consider alternatives to a sale of control to Vivendi;
- (xviii) a description of the various proposals discussed in meetings of the special committee held on May 16 and May 22, 2007;
- (xix) the special committee's reasons for recommending that the size of the cash tender offer be increased to include a minimum of 50% of the outstanding shares of common stock;
- (xx) an explanation of why Mr. Kotick determined to resume discussions with Vivendi on July 8, 2007, or the basis for his counterproposal, including the amount of the tender offer or what percentage of the outstanding shares the proposal contemplated;
- (xxi) a description of the open governance and management issues that remained as of September 14, 2007, and the respective positions of Activision and Vivendi on the issues;
- (xxii) a description of the potential management structure proposed by Mr. Kotick at a dinner on September 17, 2007, and whether the structure had been authorized by the special committee or the board;
- (xxiii) a description of the management structure proposed to Mr. Lévy by Mr. Kotick in a phone call after the September 17, 2007 dinner;

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(xxiv) whether there was "active participation in or direction of the negotiations" by the special committee or the board;

(xxv) the projections and extrapolations used in Allen & Company's 5-year discounted cash flow analysis of Blizzard Entertainment;

(xxvi) an update of the fairness opinion of Allen & Company contemplating subsequent positive financial developments for Activision; and

(xxvii) the definition of the standard "fair from a financial point of view" as used by Allen & Company.

In the original complaint, the plaintiff also alleged that our Preliminary Proxy contained certain statements that were allegedly false and misleading, including but not limited to:

(i) the statement that the tender offer provides a premium to the stockholders;

(ii) statements concerning minority stockholder protections provided by the post-closing corporate governance structure;

(iii) the statement that the special committee asked management to explore means of protecting minority stockholders in the event that the stock price traded below \$27.50 after the transaction;

(iv) the statement that the proposal from Allen & Company presented to Goldman Sachs on May 23, 2007, which contemplated a share price of \$25.50, represented a price increase;

(v) Allen & Company's comparable companies valuation analysis, including the use of a comparable group of general entertainment companies in addition to the group of comparable diversified publishing companies;

(vi) Allen & Company's comparable precedent transaction analysis, including the use of general entertainment companies instead of diversified publishers or companies involved in interactive entertainment; and

(vii) Allen & Company's discounted cash flow analyses of Activision and Blizzard Entertainment, including the use of different models for the two companies.

In its amended complaint, the plaintiff continues to allege that our Revised Preliminary Proxy omits allegedly material information concerning the transaction and the tender offer, including, but not limited to:

(i) Activision management's projections or an explanation of why Allen & Company relied on Wall Street estimates rather than management projections;

(ii) an articulation of the "recommendation" and "views" of the NCGC regarding the terms and financial aspects of the transaction or the terms and financial aspects of the transaction on which the NCGC expressed its recommendations and views;

(iii) specific alternative strategic opportunities considered by management or the Directors and/or alternatives likely to be available to Activision;

(iv) an explanation regarding why the directors approved the charter amendments or whether the board considered the potential impact of the amendments on stockholders;

(v) the substance of discussions at an October 8, 2007 board meeting at which McKinsey presented its due diligence findings and an assessment of Blizzard Entertainment's subscriber base and its business model;

(vi) that management directors Kotick and Kelly were present at nearly every meeting of the NCGC;

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(vii) the substance of Skadden Arps' advice to the Directors or the NCGC regarding fiduciary duties or a control premium for the stockholders;

(viii) when and on what basis the Activision board of directors concluded the transactions were the best value available for the stockholders;

(ix) an explanation of how and by whom the "open" management and governance issues were resolved after the September 6, 2007 NCGC meeting, as well as a description of the issues and the respective positions of Activision management and Vivendi on those issues;

(x) the terms of Skadden Arps' engagement and compensation;

(xi) an explanation as to why in its comparable precedent transaction analysis Allen & Company used general entertainment companies as opposed to interactive entertainment or diversified publishing businesses;

(xii) information regarding Vivendi Games' product pipeline or what Allen & Company did to consider Vivendi Games' product pipeline in connection with its valuation of Games relative to Activision;

(xiii) that the opinion letter issued and dated as of December 1, 2007 by Allen & Company is stale and explicitly fails to account for significant positive financial developments that have occurred subsequent to the opinion;

(xiv) the definition of the standard "fair from a financial point of view," as used by Allen & Company;

(xv) an explanation of the basis for the July 8, 2007 counterproposal, including the amount of the tender offer or what percentage of the then-outstanding Activision shares the proposal contemplated;

(xvi) an explanation of why the NCGC's demand for a control premium was abandoned in favor of a partial tender offer;

(xvii) a discussion of how, when and by whom the terms of the employment agreement of Michael Griffith, President and Chief Executive Officer of Activision Publishing, were amended; and

(xviii) whether Allen & Company gave different weight to its various analyses presented in the Preliminary Proxy and, if so, how the valuation analyses should be viewed by the stockholders given the disparate weighting and whether Allen & Company explained any disparate weighting to management, the board, or the special committee.

The plaintiff also alleges or suggests in the amended complaint that certain statements in the Revised Preliminary Proxy are allegedly false and misleading, including but not limited to:

(i) the use by Allen & Company of general entertainment companies as opposed to interactive entertainment or diversified publishing businesses in its comparable precedent transaction analysis without an explanation; and

(ii) the disclosure of Vivendi Games' 2008-09 projections and Allen & Company's extrapolations from those projections for 2010-12 because it provides no information about Activision's or Vivendi's actual views about Vivendi Games' future prospects beyond 2009.

We believe that the plaintiff's claims even as amended are unsupported by the law or facts. The defendants intend to defend themselves vigorously against this lawsuit. Because this case is in its early stages, however, an outcome cannot be predicted at this time, and we cannot be assured that it will not prevent or delay the consummation of the transaction and/or result in substantial costs.

THE BUSINESS COMBINATION AGREEMENT

The following summary describes the material provisions of the business combination agreement, a copy of which is attached as Annex A to this proxy statement and is incorporated by reference into this proxy statement. The rights and obligations of the parties to the business combination agreement are governed by the express terms and conditions of the business combination agreement and not by this summary. This summary may not contain all of the information about the business combination agreement that is of importance to you and is qualified in its entirety by reference to the complete text of the business combination agreement. We encourage you to read the business combination agreement carefully and in its entirety for a more complete understanding of the business combination agreement.

Structure of the Transaction and Tender Offer

Pursuant to the business combination agreement, Merger Sub, a newly formed, wholly-owned subsidiary of Activision, will merge with and into Vivendi Games, as described below in greater detail in the section entitled "The Merger." Concurrently, Vivendi will acquire shares of capital stock of Activision as more fully described below in the section entitled "The Share Purchase." The merger and the share purchase are referred to in this proxy statement, collectively, as the "transaction." As a result of the consummation of the transaction, Activision will be an indirect majority-owned subsidiary of Vivendi, and Vivendi Games will be a direct wholly-owned subsidiary of Activision.

Following the closing of the transaction, the combined company will launch a tender offer to purchase up to 146.5 million shares of its common stock at a price of \$27.50 per share. The terms of the tender offer are more fully described below in the section entitled "The Tender Offer." If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

The Merger

Subject to the terms and conditions of the business combination agreement and in accordance with Delaware law, Merger Sub, a newly formed, wholly-owned subsidiary of Activision, will merge with and into Vivendi Games, a direct wholly-owned subsidiary of VGAC and indirect wholly-owned subsidiary of Vivendi, and Vivendi Games will survive the merger and continue as a wholly-owned subsidiary of Activision.

Closing and Effective Time of the Merger

The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as may be agreed upon by Activision, Merger Sub, Vivendi, VGAC and Vivendi Games and as specified in the certificate of merger. The certificate of merger will be filed as soon as practicable on the closing date, which is expected to occur on the third (3rd) business day following the satisfaction or waiver (to the extent permitted under applicable law and the terms of the business combination agreement) of all conditions to the obligations of the parties described under the section entitled "Conditions to the Transaction," or at such other place or time or on such other date as Activision, Merger Sub, Vivendi, VGAC and Vivendi Games may collectively agree in writing.

Consideration to be Received in the Merger

Activision Common Stock

Activision Common Stock. Upon completion of the merger, each outstanding share of Vivendi Games common stock (other than treasury shares owned by Vivendi Games immediately prior to the completion of the merger, which will be cancelled and extinguished) will be converted into

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the right to receive 369,136.36364 newly issued shares of Activision common stock, which number is based upon a valuation of Vivendi Games at \$8.121 billion, a per share price for Activision common stock of \$27.50 and the number of shares of Vivendi Games outstanding as of November 26, 2007. Based on the exchange ratio, VGAC, as the sole stockholder of Vivendi Games, will receive a total of approximately 295.3 million newly issued shares of Activision common stock in connection with the merger.

Fractional Shares. Activision will not issue any fractional shares of Activision common stock in connection with the merger. Instead, if VGAC would otherwise be entitled to receive a fraction of a share of Activision common stock, it will receive cash, without interest, in an amount equal to the fraction multiplied by \$27.50.

Adjustments to Prevent Dilution

The per share price of \$27.50 will be appropriately and equitably adjusted to reflect fully the effect of any stock split, reverse stock split, reclassification, recapitalization, consolidation, exchange or similar change with respect to Activision common stock or any extraordinary dividend or distribution with respect to Activision common stock, in each case occurring (or having a record date) after the date of the business combination agreement and prior to the effective time of the merger.

Procedures for Exchange of Certificates

At the completion of the merger and upon proper surrender of any of its Vivendi Games stock certificates to Activision or its designee, VGAC will receive the applicable merger consideration as described above under "Consideration to be Received in the Merger," including (a) cash for any fractional shares of Activision common stock issuable to VGAC, and (b) any dividends or other distributions declared with respect to Activision common stock between the date of the business combination agreement and the effective time of the merger.

If any Vivendi Games stock certificate is lost, stolen or destroyed, VGAC must deliver an affidavit of that fact prior to receiving any merger consideration and, if required by Activision, may also have to provide an appropriate indemnity prior to receiving any merger consideration.

After the effective time of the merger, Vivendi Games' transfer books will be closed and there will be no further transfers on Vivendi Games' transfer books of shares of Vivendi Games common stock that were outstanding immediately prior to the effective time of the merger. If, after the effective time of the merger, Vivendi Games stock certificates are presented to Activision or Vivendi Games (as the surviving corporation of the merger), they will be cancelled and exchanged for the applicable merger consideration as described above.

Treatment of Equity Grants under the Blizzard Equity Plan

Certain Blizzard employees participate in the Blizzard equity plan, pursuant to which they have been granted options to acquire shares of Blizzard common stock and/or shares of restricted Blizzard common stock. Under the terms of the Blizzard equity plan, at the effective time of the transaction, all outstanding and unexercised options to acquire shares of Blizzard common stock as well as all outstanding shares of restricted Blizzard common stock will be cancelled and converted into the right to receive an amount in cash, each in accordance with the terms of the Blizzard equity plan. At the effective time, by virtue of the merger and pursuant to the terms of the Blizzard equity plan:

each outstanding and unexercised option to acquire shares of Blizzard common stock that was vested prior to the effective time of the merger will be cancelled and automatically converted into the right to receive from Vivendi Games (as the surviving corporation of the merger) an amount in cash equal to the product of (a) the aggregate number of shares of Blizzard common

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stock that were issuable upon exercise of such stock option immediately prior to the effective time of the merger and (b) the excess, if any, of the per share value of each share of Blizzard common stock as determined in accordance with the Blizzard equity plan over the per share exercise price of such stock option;

each outstanding share of restricted Blizzard common stock (or shares of restricted Blizzard common stock underlying restricted stock units) that was vested prior to the effective time of the merger will be cancelled and automatically converted into the right to receive from Vivendi Games (as the surviving corporation of the merger) an amount in cash equal to the per share value of each share of Blizzard common stock as determined in accordance with the Blizzard equity plan;

each outstanding and unexercised option to acquire shares of Blizzard common stock, the vesting of which will accelerate due to the merger, will be cancelled and automatically converted into the right to receive from Vivendi Games (as the surviving corporation of the merger), eighteen (18) months after the effective time of the merger and in accordance with the terms of the Blizzard equity plan, including continued employment through the payment date, an amount in cash equal to the product of (a) the aggregate number of shares of Blizzard common stock that were issuable upon exercise of such stock option immediately prior to the effective time of the merger and (b) the excess, if any, of the per share value of each share of Blizzard common stock as determined in accordance with the Blizzard equity plan over the per share exercise price of such stock option; and

each outstanding share of restricted Blizzard common stock (or shares of restricted Blizzard common stock underlying restricted stock units), the vesting of which will accelerate due to the merger, will be cancelled and automatically converted into the right to receive from Vivendi Games (as the surviving corporation of the merger), eighteen (18) months after the effective time of the merger and in accordance with the terms of the Blizzard equity plan, including continued employment through the payment date, an amount in cash equal to the per share value of each share of Blizzard common stock as determined in accordance with the Blizzard equity plan.

Activision will, or will cause Vivendi Games (as the surviving corporation of the merger) to, pay to holders of options to acquire shares of Blizzard common stock and shares of restricted Blizzard common stock outstanding as of the time prior to the effective time of the merger, including those who continue to be employed by the combined company, the applicable consideration in accordance with terms and conditions of the Blizzard equity plan as in effect immediately prior to the effective time of the merger. Such payment will be reduced by any income or employment tax withholding required under the Code or any provision of state, local or foreign tax law. The estimated aggregate cash payments to be made by Activision Blizzard to Blizzard equity plan participants will be \$116.2 million at the closing of the transaction and an additional \$91.8 million eighteen months after such closing, in each case assuming the Blizzard equity plan participants remain employed at Blizzard through the applicable date.

The Share Purchase

Concurrently with the merger and subject to the terms and conditions of the business combination agreement, Vivendi will purchase from Activision 62.9 million newly issued shares of Activision common stock for an aggregate purchase price of \$1.731 billion in cash.

Closing of the Share Purchase

The share purchase will close simultaneously with the merger on the third (3rd) business day following the satisfaction or waiver (to the extent permitted under applicable law and the terms of the

business combination agreement) of all conditions to the obligations of the parties described under the section entitled "Conditions to the Transaction," or at such other place or time or on such other date as Activision, Merger Sub, Vivendi, VGAC and Vivendi Games may collectively agree in writing.

The closing date of both the share purchase and the merger is referred to in this proxy statement as "closing date."

Ownership of Activision Common Stock Following the Transaction

Activision expects to issue an aggregate of approximately 358.2 million new shares of Activision common stock in connection with the transaction, consisting of approximately 295.3 million new shares of Activision common stock issued to VGAC in connection with the merger and approximately 62.9 million new shares of Activision common stock issued to Vivendi in connection with the share purchase. The newly issued shares of Activision common stock are expected to represent approximately 52.2% of the total number of shares of Activision common stock outstanding immediately following consummation of the transaction.

Upon completion of the transaction, Activision stockholders will continue to own their existing shares of Activision common stock. Accordingly, Activision stockholders will hold the same number of shares of Activision common stock that they held immediately prior to the transaction. However, since Activision will be issuing new shares of Activision common stock to VGAC in connection with the merger and to Vivendi in connection with the share purchase, each outstanding share of Activision common stock immediately prior to the merger and the share purchase will represent a smaller percentage of the total number of shares of Activision common stock outstanding following consummation of the transaction. It is expected that Activision's former stockholders will hold approximately 47.8% of the total number of shares of Activision common stock outstanding upon completion of the transaction and prior to completion of the post-closing tender offer described below. If the tender offer described below is fully subscribed then Activision's former stockholders will hold approximately 32.0% of the total number of shares outstanding following its completion.

As a result of the transaction, Activision will become an indirect majority-owned subsidiary of Vivendi, and Vivendi Games will become a direct wholly-owned subsidiary of Activision.

The Tender Offer

The tender offer described in this proxy statement has not yet commenced. The description contained herein is neither an offer to purchase nor a solicitation of an offer to sell shares of our common stock. The solicitation and the offer to buy shares of our common stock will only be made pursuant to an offer to purchase, forms of letters of transmittal and other documents relating to the tender offer that we intend to file with the SEC. Once filed, our stockholders should read the Tender Offer Statement and the other documents relating to the tender offer carefully and in their entirety prior to making any decisions with respect to the offer because they will contain important information about the tender offer, including the terms and conditions of the offer. Once filed, our stockholders will be able to obtain the Tender Offer Statement and the other documents relating to the tender offer free of charge at the SEC's website at <http://www.sec.gov>, or from the information agent named in the tender offer materials.

Commencement of the Tender Offer

Within five (5) business days after the closing date and subject to the terms and conditions of the business combination agreement and the tender offer statement, the combined company has agreed to launch a cash self tender offer to purchase up to 146.5 million shares of its common stock at a purchase price of \$27.50 per share, net to each seller in cash. All shares of Activision Blizzard common stock purchased by Activision Blizzard pursuant to the tender offer will be retired.

Proration

If, at the expiration date of the tender offer, more than 146.5 million shares of Activision Blizzard common stock have been validly tendered, Activision Blizzard will purchase from each tendering stockholder a prorated number of shares of Activision Blizzard common stock. Proration for each stockholder tendering shares will be based on the ratio of (a) the number of shares of Activision Blizzard common stock that have been properly tendered and not properly withdrawn by a particular stockholder to (b) 146.5 million, divided by the total number of shares of Activision Blizzard common stock properly tendered and not properly withdrawn by all stockholders.

Funding of the Tender Offer

Assuming the maximum number of shares (146.5 million shares) is tendered in the tender offer, the aggregate purchase price for the shares of Activision Blizzard common stock tendered in the tender offer will be approximately \$4.028 billion.

Activision and Vivendi have agreed that the purchase of the shares tendered in the tender offer will be funded as follows:

the first \$2.928 billion of the aggregate consideration will be funded by Activision Blizzard with proceeds from the share purchase described above, available cash on hand and, if necessary, borrowings made under the new credit facilities issued by Vivendi;

if the aggregate consideration is more than \$2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of \$27.50 per share, additional newly issued shares of Activision Blizzard common stock in an amount equal to the lesser of (a) \$700 million and (b) the excess of the aggregate consideration over \$2.928 billion, which amount will be used by Activision Blizzard to fund the amount of the aggregate consideration that is in excess of \$2.928 billion; and

if the aggregate consideration exceeds \$3.628 billion, Activision Blizzard will fund the additional amount of the aggregate consideration that is in excess of \$3.628 billion (up to the maximum aggregate consideration of \$4.028 billion) through borrowings made under the new credit facilities issued by Vivendi. See "The Transaction New Credit Facilities."

Tender Offer Conditions

Pursuant to the business combination agreement, Activision Blizzard will not be required to accept for payment, or (subject to the rules and regulations of the SEC) to pay for any shares of Activision Blizzard common stock tendered pursuant to the tender offer, and may delay the acceptance for payment of any shares of Activision Blizzard common stock tendered pursuant to the tender offer, and amend or terminate the tender offer, if at any time after the consummation of the transaction on the closing date and prior to the expiration of the tender offer, any of the following conditions exists and is continuing:

any governmental entity has issued or entered any order or enacted, issued, promulgated or enforced any law, which restrains, enjoins or prohibits consummation of the tender offer or makes the consummation of the tender offer illegal; or

Activision Blizzard determines that the consummation of the tender offer may cause (a) the number of record holders to be reduced to less than 300 persons, or (b) the shares of Activision Blizzard common stock to be delisted from NASDAQ or to become eligible for deregistration under the Exchange Act.

Under the business combination agreement, Activision Blizzard may not waive any of the aforementioned conditions to the tender offer or make any change in the terms of or conditions to the tender offer without Vivendi's prior consent, which will not be unreasonably withheld, conditioned or

delayed. Notwithstanding the foregoing, Activision Blizzard has the right to extend the tender offer beyond the initial expiration date (which will be at least twenty (20) business days following the date the tender offer is commenced) in the following circumstances:

from time to time if, at the initial or extended expiration date of the tender offer, any of the conditions to the tender offer has not been satisfied or waived;

for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the tender offer or any period required by applicable law; or

upon the mutual agreement of Activision Blizzard and Vivendi, provided that the extended expiration date will not be more than twenty (20) business days past the initial expiration date.

Tender Prohibitions

Under the terms of the business combination agreement, neither Vivendi nor any of Vivendi's subsidiaries will tender any shares of Activision Blizzard common stock to Activision Blizzard pursuant to the tender offer. In addition, under the terms of the voting and lock-up agreements described below under "Certain Agreements Related to the Transaction Voting and Lock-Up Agreements," Messrs. Robert A. Kotick, Activision's Chairman and Chief Executive Officer, and Brian G. Kelly, Activision's Co-Chairman, have agreed not to tender or otherwise sell more than one third ($1/3$) of their shares of Activision Blizzard common stock and other equity securities of Activision Blizzard.

Ownership of Activision Blizzard Common Stock Following the Tender Offer

If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 383.7 million shares of Activision Blizzard's common stock, representing approximately 68.0% of the issued and outstanding shares of Activision Blizzard's common stock on a fully diluted basis.

Tender Offer Tax Considerations

Any material United States federal income tax consequences of the tender offer will be described in the Tender Offer Statement or other documents related to the tender offer.

Conditions to the Transaction

Conditions to Each Party's Obligation to Effect the Transaction

The obligations of each of the parties to effect the transaction are subject to the satisfaction of each of the following mutual conditions, none of which (except for the new credit facilities condition) may be waived by the parties:

the approval by Activision's stockholders of the principal terms of the business combination agreement and the transaction, including the issuance of shares of Activision common stock in the transaction and the amendments to the certificate of incorporation and bylaws of Activision, must have been obtained;

(a) the expiration of the waiting period (and any extensions thereof) required under the HSR Act (which waiting period expired on January 16, 2008), (b) the termination of any investigations relating to the transaction that may have been opened by either the Department of Justice or the FTC, and (c) the obtainment or taking, as the case may be, of all other material consents, approvals and actions of, filings with and notices to any governmental authority of the European Union relating to the transaction (which approval was received on April 16, 2008);

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the obtainment of all other clearances, consents, approvals, orders and authorizations that are necessary for the closing of the transaction, except for such clearances, consents, approval, order or authorizations that would not reasonably be expected to have a material adverse effect on the

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business and operations of Activision and Vivendi Games (as the surviving corporation in the merger), taken as a whole, and the benefits that are expected to derive from the transaction;

the absence of any law enacted, entered, enforced or deemed applicable to the transaction by any governmental entity that makes the consummation of the transaction illegal in the U.S. or any foreign jurisdiction in which any of the parties has substantial business and operations;

the absence of any order by any governmental entity in the United States or any foreign jurisdiction in which Activision or Vivendi Games has substantial business and operations, that makes the consummation of the transaction illegal in the United States or such foreign jurisdiction; and

the obtainment by Activision of one or more new credit facilities either from third party lenders or from Vivendi, which has occurred. See "The Transaction New Credit Facilities."

Conditions to Vivendi's, VGAC's and Vivendi Games' Obligation to Effect the Transaction

The respective obligations of Vivendi, VGAC and Vivendi Games to effect the transaction are subject to the satisfaction of several additional conditions (any of which may be waived in writing by Vivendi), including:

the representations and warranties of Activision and Merger Sub must be true and correct (without giving any effect to any qualification as to materiality or material adverse effect with respect to Vivendi Games contained in any specific representation or warranty) as of the closing date as if made on and as of the closing date, except:

for changes contemplated or permitted by the business combination agreement;

to the extent the representations and warranties address matters only as of a particular date, they must be true and correct only as of that date; and

where any failures of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Activision, as described below;

Activision and Merger Sub must have complied, in all material respects, with all of the agreements, obligations, covenants and conditions required to be performed or to be complied with by each of them under the business combination agreement at or prior to the closing date;

the shares of Activision common stock which are to be issued in connection with the transaction (and, if applicable, in connection with the tender offer) must have been approved for listing on NASDAQ, subject to official notice of issuance (which authorization was received on May 23, 2008);

there must be no pending litigation, commenced by any Activision stockholder after the date of the business combination agreement, against Activision or any of Activision's directors before any governmental entity relating to (a) the business combination agreement, (b) any ancillary document thereto, or (c) the transactions contemplated by the business combination agreement or the ancillary documents thereto that would render it impossible or unlawful to consummate the transaction; and

Activision must have delivered to Vivendi executed copies of each of the ancillary documents to the business combination agreement to which Activision is a party.

Conditions to Activision's and Merger Sub's Obligation to Effect the Transaction

The respective obligations of Activision and Merger Sub to effect the transaction are subject to the satisfaction of several additional conditions (any of which may be waived in writing by Activision), including:

the representations and warranties of Vivendi, VGAC and Vivendi Games must be true and correct (without giving any effect to any qualification as to materiality or material adverse effect with respect to Activision contained in any specific representation or warranty) as of the closing date as if made on and as of the closing date, except:

for changes contemplated or permitted by the business combination agreement;

to the extent the representations and warranties address matters only as of a particular date, they must be true and correct only as of that date; and

where any failures of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Vivendi Games, as described below;

Vivendi, VGAC and Vivendi Games must have complied, in all material respects, with all of the agreements, obligations, covenants and conditions required to be performed or to be complied with by each of them under the business combination agreement at or prior to the closing date;

there must be no pending litigation, commenced by any stockholder of Vivendi or Vivendi Games after the date of the business combination agreement, against Vivendi, VGAC or any of its directors before any governmental entity relating to (a) the business combination agreement, (b) any ancillary document thereto, or (c) the transactions contemplated by the business combination agreement or the ancillary documents thereto that would render it impossible or unlawful to consummate the transactions;

immediately prior to the closing of the transaction, Vivendi, VGAC and Vivendi Games must have taken all necessary actions to provide that (a) all intercompany arrangements, other than licenses entered into in the ordinary course of business, between Vivendi and VGAC, on the one hand, and Vivendi Games and its subsidiaries, on the other hand, have been terminated, and (b) all monies owed pursuant to such intercompany arrangements have been paid in full; and

Vivendi must have delivered to Activision executed copies of each of the ancillary documents to the business combination agreement to which either Vivendi, VGAC or Vivendi Games is a party.

Definition of Material Adverse Effect

Under the terms of the business combination agreement, a material adverse effect on either Activision or Vivendi Games means any fact, event or circumstance which is materially adverse to (a) the business, properties, assets, condition (financial or otherwise) or results of operations of Activision and Activision's subsidiaries, taken as a whole, or Vivendi Games and Vivendi Games' subsidiaries, taken as a whole, as the case may be, or (b) the ability of Activision or Merger Sub, or Vivendi, VGAC or Vivendi Games, as the case may be, to perform its respective obligations under the business combination agreement or to consummate the transaction.

However, none of the following will be deemed to constitute a material adverse effect with respect to Activision or Vivendi Games, as the case may be:

any changes resulting from or arising out of general market, economic or political conditions (including any changes arising out of acts of terrorism or war, weather conditions or other force majeure events), provided that such changes do not have a substantially disproportionate impact

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on Activision and Activision's subsidiaries, taken as a whole, or Vivendi Games and Vivendi Games' subsidiaries, taken as a whole, as the case may be;

any changes resulting from or arising out of general market, economic or political conditions in the industries in which Activision or Vivendi Games or any of their subsidiaries conduct business (including any changes arising out of acts of terrorism, or war, weather conditions or other force majeure events), provided that such changes do not have a substantially disproportionate impact on Activision and Activision's subsidiaries, taken as a whole, or Vivendi Games and Vivendi Games' subsidiaries, taken as a whole, as the case may be; and

any changes resulting from or arising out of actions taken pursuant to (and required by) the business combination agreement or at the request of Activision or of Vivendi or Vivendi Games, as the case may be, or the failure to take any actions due to restrictions set forth in the business combination agreement.

In addition, with respect to Activision, none of the following will be deemed to constitute a material adverse effect:

any changes in the price or trading volume of Activision common stock, in and of itself, provided that such exclusion will not apply to any underlying fact, event or circumstance that may have caused or contributed to such change in market price or trading volume; and

any failure by Activision to meet published revenue or earnings projections, in and of itself, provided that such exclusion will not apply to any underlying fact, event or circumstance that may have caused or contributed to such failure to meet such published revenue or earnings projections.

In addition, with respect to Vivendi Games, the following will not be deemed to constitute a material adverse effect:

any failure by Vivendi or Vivendi Games to meet any revenue or EBITA (earnings before interest, taxes and amortization) projections that are published by Vivendi with respect to Vivendi Games and its subsidiaries, in and of itself, provided that such exclusion will not apply to any underlying fact, event or circumstance that may have caused or contributed to such failure to meet such published revenue or EBITA projections.

Restrictions on Solicitation of Acquisition Proposals

Restrictions on Solicitation of Acquisition Proposals of Activision

Under the terms of the business combination agreement, Activision has agreed that it will not, and will not authorize or permit any of its subsidiaries or their respective officers, directors, employees, agents and representatives (including any investment banker, attorney or accountant retained by Activision or any of its subsidiaries) to, directly or indirectly:

solicit, initiate or knowingly encourage any "Activision acquisition proposal" (as described below);

enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish information to any person regarding any Activision acquisition proposal; or

allow Activision or any of its subsidiaries to execute, or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar contract related to any Activision acquisition proposal.

In addition, Activision has agreed to, and to cause each of its subsidiaries to, (a) immediately cease and cause to be terminated all existing discussions or negotiations with any person conducted prior to

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the date of the business combination agreement with respect to any Activision acquisition proposal, and (b) request the prompt return or destruction of all confidential information previously furnished.

Notwithstanding the foregoing restrictions, at any time prior to obtaining the Activision stockholder approval, Activision may, in response to a bona fide written acquisition proposal that was made after the date of the business combination agreement and which Activision's board of directors determines in good faith (after consultation with outside counsel and a financial advisor of nationally recognized reputation) constitutes, or is reasonably likely to lead to, an "Activision superior proposal" (as described below):

furnish any information to the person making such Activision acquisition proposal (and that person's representatives) pursuant to a customary confidentiality agreement, provided that all such information has either previously been provided to Vivendi or is provided to Vivendi prior to or substantially concurrent with the time it is provided to such person; and

enter into, continue or otherwise participate in any discussions or negotiations regarding such Activision acquisition proposal with the proposing person (and that person's representatives).

Activision has agreed to advise Vivendi, orally and in writing, of any Activision acquisition proposal, including the material terms and conditions of such Activision acquisition proposal and the identity of the proposing person. Activision will provide such information to Vivendi as promptly as practicable, and in any event within two (2) business days following receipt of any Activision acquisition proposal, and will keep Vivendi reasonably informed in all material respects of the status and details of any Activision acquisition proposal (including changes to the material terms thereof).

As used in this proxy statement, the term "Activision acquisition proposal" means any inquiry, proposal or offer relating to (a) the acquisition by any person of, or (b) a merger, consolidation, business combination, reorganization, share exchange, recapitalization, liquidation, dissolution or similar transaction involving Activision or any of its subsidiaries, which would result in any person acquiring:

20% or more of the aggregate outstanding voting securities of Activision;

20% or more of the outstanding shares of capital stock of Activision;

20% or more of the fair market value, immediately prior to such transaction, of the assets (including capital stock of Activision's subsidiaries) of Activision and its subsidiaries, taken as a whole; or

any combination of the foregoing.

As used in this proxy statement, the term "Activision superior proposal" means a bona fide written Activision acquisition proposal (with all of the provisions in the definition of the term Activision acquisition proposal given above adjusted to increase the percentages referenced therein to fifty percent (50%)), which Activision's board of directors determines in good faith (after consultation with its financial advisors) to be more favorable to the stockholders of Activision as compared to the transaction and the tender offer as contemplated by the business combination agreement (including any revisions to the business combination agreement made or proposed in writing by Vivendi) and any alternative transaction proposed in writing by Vivendi in accordance with the business combination agreement, taking into account, among other things:

the person making such Activision acquisition proposal;

the likelihood that the transaction contemplated by such Activision acquisition proposal will be consummated and the timing thereof;

the terms and conditions of the business combination agreement and such Activision acquisition proposal, including any conditions relating to financing, regulatory approvals or other events or circumstances beyond the control of the party invoking the condition; and

any revisions to the business combination agreement made or proposed in writing by Vivendi prior to the time of determination and any alternative transaction proposed in writing by Vivendi in accordance with the business combination agreement.

Recommendation Change and Termination for Superior Proposal by Activision's Board of Directors

Activision's board of directors has agreed not to (a) withdraw or adversely and materially modify, or publicly propose to withdraw or adversely and materially modify, its recommendation of the business combination agreement and the transaction, or (b) adopt or recommend, or publicly propose to adopt or recommend, any Activision acquisition proposal.

Notwithstanding the aforementioned obligations, Activision's board of directors may, at any time prior to the closing date, withdraw or adversely and materially modify, or publicly propose to withdraw or adversely and materially modify, its recommendation of the business combination agreement and the transaction, if Activision's board of directors determines in good faith (after consultation with its outside counsel) that the failure to take such action would be reasonably expected to constitute a breach of its fiduciary duties under applicable law.

Further, at any time prior to obtaining the Activision stockholder approval, Activision's board of directors may, in response to an Activision acquisition proposal that did not result from a breach of the business combination agreement and which Activision's board of directors determines in good faith constitutes an Activision superior proposal, (a) withdraw or adversely and materially modify, or publicly propose to withdraw or adversely and materially modify, its recommendation of the business combination agreement and the transaction; or adopt or recommend, or publicly propose to adopt or recommend, any Activision acquisition proposal, or (b) cause Activision to terminate the business combination agreement and concurrently with or after such termination enter into an acquisition agreement relating to such Activision superior proposal. However, Activision may only exercise any of the aforementioned rights if it has given three (3) business days prior written notice to Vivendi of its intention to take such action, specifying in the notice the reasons for taking such action and the material terms and conditions of the Activision superior proposal that is the basis of the proposed action. In determining whether to exercise its rights described above, Activision's board of directors has agreed to take into account any changes to the financial terms of the business combination agreement proposed by Vivendi.

Obligation of Activision's Board of Directors with Respect to Holding a Stockholder Meeting

Under the terms of the business combination agreement, Activision's board of directors has agreed to convene a meeting of its stockholders for purposes of obtaining the Activision stockholder approval. Subject to its rights described above, Activision's board of directors has agreed to recommend the approval of the principal terms of the business combination agreement and the transaction, including, but not limited to, the issuance of shares of Activision common stock in the merger and the share purchase, to its stockholders.

Activision's obligations to hold such a meeting will not be affected by (a) the commencement, public proposal, public disclosure or communication to Activision of any Activision acquisition proposal, or (b) the withdrawal or modification by Activision's board of directors or any committee thereof of its approval or recommendation of the business combination agreement and the transaction.

Restrictions on Solicitation of Acquisition Proposals of Vivendi Games

Under the terms of the business combination agreement, each of Vivendi and Vivendi Games has agreed that it will not, and will not authorize or permit any of its subsidiaries or their respective officers, directors, employees, agents and representatives (including any investment banker, attorney or

accountant retained by Vivendi, Vivendi Games or any of its respective subsidiaries) to, directly or indirectly:

solicit, initiate or knowingly encourage any "Vivendi Games acquisition proposal" (as described below);

enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish information to any person regarding any Vivendi Games acquisition proposal; or

allow Vivendi Games or any of its subsidiaries to execute, or enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar contract related to any Vivendi Games acquisition proposal.

In addition, each of Vivendi and Vivendi Games has agreed to, and to cause each of its subsidiaries to, (a) immediately cease and cause to be terminated all existing discussions or negotiations with any person conducted prior to the date of the business combination agreement with respect to any Vivendi Games acquisition proposal, and (b) request the prompt return or destruction of all confidential information previously furnished.

As used in this proxy statement, the term "Vivendi Games acquisition proposal" means any inquiry, proposal or offer relating to (a) the acquisition by any person of, or (b) a merger, consolidation, business combination, reorganization, share exchange, recapitalization, liquidation, dissolution or similar transaction involving Activision or any of its subsidiaries, which would result in any person acquiring:

20% or more of the aggregate outstanding voting securities of Vivendi Games;

20% or more of the outstanding shares of capital stock of Vivendi Games;

20% or more of the fair market value, immediately prior to such transaction, of the assets (including capital stock of Vivendi Games' subsidiaries) of Vivendi Games and its subsidiaries, taken as a whole; or

any combination of the foregoing.

Termination; Termination Fees and Expenses

Termination

The business combination agreement may be terminated in accordance with its terms at any time prior to the closing date, whether before or after obtaining the Activision stockholder approval:

by mutual written consent of the parties, duly authorized by each party's board of directors;

by either Vivendi or Activision:

if the transaction is not completed on or before the ten (10) months anniversary of the execution of the business combination agreement. This date is referred to in this proxy statement as "termination date." However, neither Vivendi nor Activision may terminate the business combination agreement on this basis if it has breached its obligations under the business combination agreement in any material respect and such breach has been a principal cause of, or has resulted in, the failure of the transaction to be consummated on or before that date;

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if any law has been enacted, entered, enforced or deemed applicable to the transaction by a governmental entity that makes the consummation of the transaction illegal in the United States or any foreign jurisdiction in which Activision or Vivendi has substantial business and operations;

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if any governmental entity in the United States or any foreign jurisdiction in which Activision or Vivendi has substantial business and operations has issued or granted any order making the transaction illegal in the United States or any such foreign jurisdiction, and such order has become final and non-appealable; or

if the Activision stockholder approval has not been obtained at a meeting duly convened therefor or at any adjournment or postponement thereof;

by Vivendi (provided that none of Vivendi, VGAC or Vivendi Games is then in breach of any of their respective obligations under the business combination agreement), if there is any continuing inaccuracy in the representations and warranties of Activision or Merger Sub set forth in the business combination agreement, or Activision or Merger Sub is then failing to perform any of its covenants or other agreements set forth in the business combination agreement, in either case such that (a) certain conditions to Vivendi's and Vivendi Games' obligation to effect the transaction would fail to be satisfied at the time of such termination, and (b) such inaccuracy or breach is not reasonably capable of being cured by Activision or Merger Sub prior to the termination date;

by Activision (provided neither it nor Merger Sub is then in breach of any of their respective obligations under the business combination agreement), if there is any continuing inaccuracy in the representations and warranties of Vivendi, VGAC or Vivendi Games set forth in the business combination agreement, or Vivendi, VGAC or Vivendi Games is then failing to perform any of its covenants or other agreements set forth in the business combination agreement, in either case such that (a) certain conditions to Activision's and Merger Sub's obligation to effect the transaction would fail to be satisfied at the time of such termination, and (b) such inaccuracy or breach is not reasonably capable of being cured by Vivendi, VGAC or Vivendi Games prior to the termination date;

by Vivendi,

if Activision's board of directors or any committee thereof (a) withdraws or adversely and materially modifies, or publicly proposes to withdraw or adversely and materially modify, its recommendation of the business combination agreement and the transaction (except with respect to events or circumstances relating to Vivendi, VGAC or Vivendi Games), or (b) adopts or recommends, or publicly proposes to adopt or recommend, any Activision acquisition proposal; or

if Activision's board of directors fails to publicly reaffirm its recommendation of the business combination agreement and the transaction within ten (10) business days following the date upon which a third party first commences a tender or exchange offer for shares of Activision capital stock;

by Activision, pursuant to and in accordance with the terms and subject to the conditions discussed above with respect to an Activision superior proposal, provided that Vivendi has received the termination fee discussed below not later than the first (1st) business day after such termination.

Effect of Termination

If the transaction is terminated as described in the section entitled " Termination" above, the agreement will be void, and there will be no liability or obligation of any party except that:

each party will remain liable for its willful breach of the business combination agreement; and

designated provisions of the business combination agreement, including the provisions regarding the termination fee described below, will survive termination.

Termination Fees and Expenses

Under the terms of the business combination agreement, Activision must (a) pay Vivendi a termination fee equal to \$180 million and (b) reimburse Vivendi for all of Vivendi's, VGAC's and Vivendi Games' actual and reasonably documented out-of-pocket expenses (including reasonable attorneys' fees) actually incurred by Vivendi, VGAC and Vivendi Games on or prior to the termination of the business combination agreement in connection with the business combination agreement and the transaction, up to a maximum of \$15 million, in the event that:

the business combination agreement is terminated by Vivendi because:

Activision's board of directors or any committee thereof (a) withdraws or adversely and materially modifies, or publicly proposes to withdraw or adversely and materially modify, its recommendation of the business combination agreement and the transaction (except with respect to events or circumstances relating to Vivendi, VGAC or Vivendi Games), or (b) adopts or recommends, or publicly proposes to adopt or recommend, any Activision acquisition proposal;

Activision's board of directors fails to publicly reaffirm its recommendation of the business combination agreement and the transaction within ten (10) business days following the commencement of a third-party tender or exchange offer for Activision's capital stock;

the business combination agreement is terminated by Activision in response to an Activision superior proposal in compliance with the provisions of the business combination agreement; or

all of the following three events have occurred:

prior to the Activision stockholder meeting, an Activision acquisition proposal has been made directly to Activision's stockholders generally and not withdrawn, or has otherwise become publicly known, or any person has publicly announced an intention (whether or not conditional) to make an Activision acquisition proposal;

thereafter the business combination agreement is terminated by either Vivendi or Activision because (a) the transaction has not been consummated on or before the termination date, or (b) the Activision stockholder approval has not been obtained; and

within twelve (12) months after such termination, Activision enters into a definitive contract to consummate, or consummates, a transaction constituting an Activision acquisition proposal.

Further, in the event that the business combination agreement is terminated by either Activision or Vivendi due to a breach of any representation, warranty, covenant or agreement set forth in the business combination agreement, the breaching party must reimburse the non-breaching party for its actual and reasonably documented out-of-pocket expenses (including reasonable attorneys' fees) actually incurred by the non-breaching party on or prior to the termination of the business combination agreement in connection with the business combination agreement and the transaction, up to a maximum of \$15 million.

Conduct of Business Prior to the Closing Date

Activision's Conduct of Business Prior to the Closing Date

Under the business combination agreement, Activision has agreed that, until the closing date and except (a) as set forth in Activision's disclosure schedule to the business combination agreement, (b) as required by applicable law, (c) as required or contemplated by the business combination agreement, or (d) as consented to in writing by Vivendi (which consent will not be unreasonably withheld, delayed or conditioned), it will (and will cause its subsidiaries to):

conduct its business in the ordinary course;

use its reasonable best efforts to preserve intact its business organizations and relationships with third parties and to keep available the services of its present officers and employees; and

use its reasonable best efforts to protect its intellectual property to the end that the goodwill and ongoing business of Activision and its subsidiaries will not be impaired in any material respects as of the closing date.

In addition, Activision has agreed that, until the closing date and except (a) as set forth in Activision's disclosure schedule to the business combination agreement, (b) as required by applicable law, (c) as required or contemplated by the business combination agreement, or (d) as consented to in writing by Vivendi (which consent will not be unreasonably withheld, delayed or conditioned), it will not (and will not permit its subsidiaries to), and will not propose or commit to:

pay dividends (except for dividends by wholly-owned subsidiaries of Activision to their respective parent), reclassify stock or commence any stock repurchases;

issue securities, subject to certain limited exceptions, including (a) the issuance of restricted shares and equity rights in the ordinary course of business and consistent with past practice not to exceed three million (3,000,000) shares in the aggregate (excluding any shares or equity rights granted pursuant to the employment agreements entered into between Activision and each of Messrs. Robert A. Kotick and Brian G. Kelly concurrently with the execution of the business combination agreement), and (b) the authorization of additional shares as required or contemplated by the business combination agreement or any ancillary agreement thereto;

amend the certificate of incorporation or bylaws of Activision or any subsidiary of Activision;

acquire by merger or consolidation, or by purchasing a substantial equity interest in or a substantial portion of the assets of, any business, corporation, partnership, association or other business organization, other than acquisitions involving aggregate consideration of less than \$75 million;

dispose of any assets, other than in the ordinary course of business and dispositions of assets with an aggregate fair market value of less than \$10 million;

make loans or investments, subject to certain exceptions, including loans or investments in the ordinary course of business;

incur indebtedness, subject to certain exceptions, including borrowings not to exceed \$25 million in the aggregate;

make changes to accounting methods, subject to certain limited exceptions;

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commence new capital expenditures, subject to certain exceptions, including (a) disclosed capital expenditures and (b) additional capital expenditures not disclosed but made in the ordinary course of business and in an aggregate amount not to exceed an additional \$20 million;

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take actions that would be reasonably likely to prevent or materially delay the consummation of the transaction;

discharge any liabilities, subject to certain exceptions;

make any material changes to, or waive any material right under, certain material contracts;

except in the ordinary course of business, enter into any new material contract;

grant liens in, sell, assign, abandon, license or sublicense any of Activision's material intellectual property rights (with the exception of licenses and other agreements entered into in the ordinary course of business) or enter into any contract outside the ordinary course of business with respect to Activision's intellectual property;

make changes in employee benefits, subject to certain exceptions;

effectuate a plant closing or a mass layoff at any time within the 90-day period before the effective time of the merger without complying fully with the notice and other requirements of the WARN Act;

fail to timely file material tax returns or timely pay any material taxes;

engage in transactions with any of its affiliates (except for transactions solely by and among Activision and any of Activision's wholly-owned subsidiaries);

engage in any liquidation, dissolution, merger or similar transaction (other than the transaction and any other transactions involving solely Activision or any of Activision's wholly-owned subsidiaries and Activision or one or more of its wholly-owned subsidiaries); and

authorize any of, or announce an intention, or agree to take any of, the foregoing actions.

Vivendi Games' Conduct of Business Prior to the Closing Date

Under the business combination agreement, Vivendi Games has agreed that, until the closing date and except (a) as set forth in Vivendi Games' disclosure schedule to the business combination agreement, (b) as required by applicable law, (c) as required or contemplated by the business combination agreement, or (d) as consented to in writing by Activision (which consent will not be unreasonably withheld, delayed or conditioned), it will (and will cause its subsidiaries to):

conduct its business in the ordinary course;

use its reasonable best efforts to preserve intact its business organizations and relationships with third parties and to keep available the services of its present officers and employees; and

use its reasonable best efforts to protect its intellectual property to the end that the goodwill and ongoing business of Vivendi Games and its subsidiaries will not be impaired in any material respects as of the closing date.

In addition, Vivendi Games has agreed that, until the closing date and except (a) as set forth in Vivendi Games' disclosure schedule to the business combination agreement, (b) as required by applicable law, (c) as required or contemplated by the business combination agreement, or (d) as consented to in writing by Activision (which consent will not be unreasonably withheld, delayed or conditioned), it will not (and will not permit its subsidiaries to):

pay dividends (except for cash dividends by Vivendi Games and its subsidiaries to their respective parents, provided that, at the closing of the transaction and after giving effect to any such dividends, Vivendi Games and its subsidiaries will hold not less than \$15 million in cash), reclassify stock, or commence any stock repurchases (except with respect to the Blizzard equity plan);

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issue securities, subject to certain limited exceptions, including (a) the issuance of shares pursuant to the exercise of options to acquire shares of Blizzard common stock that were outstanding on the date of the business combination agreement, and (b) the granting of options to acquire shares of Blizzard common stock and the granting of shares of restricted Blizzard common stock in the ordinary course of business and consistent with past practice not to exceed one million two hundred fifteen thousand (1,215,000) shares in the aggregate;

amend the certificate of incorporation or bylaws (or similar organizational documents) of Vivendi Games or any subsidiary of Vivendi Games;

acquire by merger or consolidation, or by purchasing a substantial equity interest in or a substantial portion of the assets of, any business, corporation, partnership, association or other business organization, other than acquisitions involving aggregate consideration of less than \$75 million;

dispose of any assets, other than other than in the ordinary course of business and dispositions of assets with an aggregate fair market value of less than \$10 million;

make loans or investments, subject to certain exceptions, including loans or investments in the ordinary course of business;

incur indebtedness, subject to certain exceptions, including for borrowings not to exceed \$25 million in the aggregate;

make changes to accounting methods, subject to certain exceptions;

commence new capital expenditures, subject to certain exceptions, including (a) disclosed capital expenditures, (b) any capital expenditure to acquire hardware or software related to the business of Blizzard Entertainment not to exceed \$50 million in the aggregate, and (c) additional capital expenditures not disclosed but made in the ordinary course of business and in an aggregate amount not to exceed an additional \$10 million;

take actions that would be reasonably likely to prevent or materially delay the consummation of the transaction;

discharge any liabilities, subject to certain exceptions;

make any material changes to, or waive any material right under, certain material contracts;

except in the ordinary course of business and except for the termination of certain contracts specified in the business combination agreement, enter into any new material contract;

grant liens in, sell, assign, abandon, license or sublicense any of Vivendi Games' material intellectual property rights (with the exception of licenses and other agreements entered into in the ordinary course of business) or enter into any contract outside the ordinary course of business with respect to Vivendi Games' intellectual property;

make changes in employee benefits, subject to certain limited exceptions;

effectuate a plant closing or a mass layoff at any time within the 90-day period before the effective time of the merger without complying fully with the notice and other requirements of the WARN Act;

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fail to timely file material tax returns or timely pay any material taxes;

engage in transactions with any of its affiliates (except for transactions solely by and among Vivendi Games and any of Vivendi Games' wholly-owned subsidiaries);

engage in any liquidation, dissolution, merger or similar transaction (other than the transaction and transactions involving solely Vivendi Games or any of Vivendi Games' wholly-owned subsidiaries and Vivendi Games or one or more of its wholly-owned subsidiaries); and

authorize any of, or announce an intention, or agree to take any of, the foregoing actions.

Certain Other Covenants

Reasonable Best Efforts to Complete the Transaction

Under the terms of the business combination agreement, each of Activision, Merger Sub, Vivendi, VGAC and Vivendi Games has agreed to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable under applicable laws and regulations to complete the transaction in the most expeditious manner practicable, including:

preparing and filing as soon as practicable all forms, registrations and notices required to be filed to consummate the transaction and the taking of such reasonable actions as are necessary to obtain any requisite approvals, consents, orders, exemptions or waivers by any third party or governmental entity, including:

filings pursuant to the HSR Act with the FTC and the Antitrust Division; and

filings of any forms or reports required by the European Commission or any other governmental entity required under any foreign antitrust laws;

defending any lawsuits or other legal proceedings, whether judicial or administrative, challenging the business combination agreement, any ancillary agreement thereto, or the consummation of the merger, including seeking to have any stay or temporary restraining order entered by any court or other governmental entity vacated or reversed until the issuance of a final, non-appealable order; and

using reasonable best efforts to cause the satisfaction of all conditions to the closing of the transaction.

Notwithstanding the above, none of Activision, Merger Sub, Vivendi, VGAC and Vivendi Games is required to enter into any consent arrangement that would be reasonably expected to have a material adverse effect on the benefits that are expected to derive from the transaction.

In addition, each of Activision, Merger Sub, Vivendi, VGAC and Vivendi Games has agreed to consult with the other with respect to, provide any necessary information with respect to and provide the other (or its counsel) copies of, all filings made by such party with any governmental entity or any other information supplied by such party to a governmental entity in connection with the business combination agreement, any ancillary agreement thereto, or the consummation of the transaction.

Access to Information

Under the business combination agreement, each of Activision and Vivendi Games has agreed to, and to cause each of its subsidiaries to, (a) afford to the other parties to the business combination agreement and their respective officers, employees, accountants, counsel, agents and other representatives reasonable access to all of their properties, personnel, books and records (including tax returns filed and those in preparation, workpapers and other items relating to taxes), and (b) furnish promptly all information concerning its business, properties and personnel as such other parties may reasonably request. Any such access will be conducted under the supervision of personnel of the party providing such access and in a manner that does not interfere with the party's normal operations.

Notwithstanding the obligations described above, none of Activision or Vivendi Games is required to disclose any information that, in its sole and absolute discretion, (a) it is not legally permitted to disclose or the disclosure of which would contravene any applicable law or order (including any antitrust law) or (b) the disclosure of which would be reasonably likely to cause the loss of any attorney-client or other legal privilege.

Director and Officer Indemnification

Under the terms of the business combination agreement, Activision has agreed to honor, for a period of six (6) years after the effective time of the merger, all obligations of Vivendi Games and Vivendi Games' subsidiaries contained in any indemnification agreement in effect immediately prior to the effective time of the merger between Vivendi Games or any of Vivendi Games' subsidiaries and any of their current or former directors and officers and any person who becomes a director or officer of Vivendi Games or any of Vivendi Games' subsidiaries prior to the effective time of the merger.

In addition, for a period of six (6) years after the effective time of the merger, Activision and its subsidiaries (a) will cause the certificate of incorporation and bylaws (and other similar organizational documents) of Vivendi Games, as the surviving corporation of the merger, and Vivendi Games' subsidiaries to contain provisions with respect to indemnification and exculpation of their respective officers and directors that are at least as favorable as the indemnification and exculpation provisions contained in the certificate of incorporation and bylaws (or other similar organizational documents) of Vivendi Games immediately prior to the effective time of the merger, and (b) will not amend, repeal or otherwise modify such provisions in any respect, except as required by applicable law.

In the event that Vivendi Games, as the surviving corporation of the merger, or any of its successors or assigns, consolidates with or merges into any other person and is not the continuing or surviving corporation or entity of the consolidation or merger, or transfers all or substantially all of its properties and assets to any person, then, in each case, proper provisions must be made to ensure that the successors and assigns of Vivendi Games will assume the aforementioned indemnification and exculpation obligations of Vivendi Games.

Director and Officer Insurance

For a period of six (6) years after the effective time of the merger, Vivendi will (and will cause Activision to) maintain in effect Activision's existing directors' and officers' liability insurance policy covering claims arising from facts or events occurring at or prior to the effective time of the merger (including acts or omissions occurring in connection with the business combination agreement and the consummation of the transaction and covering each indemnified party who is covered as of the effective time of the merger by Activision's existing directors' and officers' liability insurance policy on terms with respect to coverage and amounts no less favorable than those in effect on the date of the business combination agreement.

However, neither Vivendi nor Activision will be required to pay annual premiums in excess of 250% of the current annual premium paid by Activision for such insurance. If the annual premiums of such insurance coverage exceed such amount, Activision will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding 250% of the current annual premium.

Release of Guarantees

Vivendi, Vivendi Games and Activision will cooperate and use their reasonable best efforts to obtain, effective as of the closing date, the release of Vivendi and its affiliates (other than Vivendi Games and its subsidiaries) from any guarantee, performance bond, surety bond or other similar agreement relating to the operation of the business of Vivendi Games or any of its subsidiaries. Activision will indemnify Vivendi and its affiliates (other than Vivendi Games and its subsidiaries) for

any payments required to be made under, or costs incurred in connection with, any unreleased guarantee following the closing of the transaction.

Employee Benefits

For one year after the completion of the transaction, Activision Blizzard will maintain and comply with the severance policies, plans and agreements of Vivendi Games and its subsidiaries in effect immediately prior to the closing or otherwise provide severance benefits to employees of those entities that are no less generous in the aggregate than those provided under such policies, plans and agreements in effect immediately prior to the completion of the transaction.

Representations and Warranties

The business combination agreement contains general representations and warranties made by each of Activision and Merger Sub, on the one hand, and Vivendi, VGAC and Vivendi Games, on the other hand, regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the transaction. These representations and warranties are subject to materiality, knowledge and other similar qualifications in many respects, and expire at the closing of the transaction.

Representations and Warranties by Activision and Merger Sub

Each of Activision and Merger Sub has made a number of representations and warranties to Vivendi, VGAC and Vivendi Games in the business combination agreement, including representations and warranties relating to the following matters:

corporate organization, qualifications to do business and corporate standing;

capital structure and absence of restrictions or encumbrances with respect to the capital stock of Activision;

corporate organization, qualifications to do business and corporate standing of Activision's subsidiaries;

ownership of, and absence of restrictions or encumbrances with respect to, capital stock of Activision's subsidiaries;

corporate authority to enter into the business combination agreement and the ancillary agreements thereto and to consummate the transaction;

Activision stockholder approval;

governmental and regulatory approvals required to complete the transaction;

absence of any conflict or violation of the corporate charter and bylaws of Activision and its subsidiaries, any applicable legal requirements, or any agreements with third parties, as a result of entering into and carrying out the obligations contained in the business combination agreement;

maintenance of books and records by Activision and its subsidiaries;

Activision's SEC filings and the financial statements contained in those filings;

Activision's internal accounting controls and disclosure controls and procedures;

absence of a material adverse effect with respect to Activision since March 31, 2007;

absence of undisclosed liabilities of Activision or any of its subsidiaries;

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Activision's benefit plans, employees and employment practices;

compliance with employment/labor contracts and laws by Activision, its subsidiaries and their officers, employees and consultants whose annual salary exceeds \$200,000;

absence of collective bargaining arrangements and labor controversies at Activision or any of its subsidiaries;

material contracts and the absence of breaches of material contracts to which Activision or any of its subsidiaries is a party;

litigation involving Activision or any of its subsidiaries;

compliance with applicable law by Activision, Activision's subsidiaries and their respective officers and directors;

Activision's and Activision's subsidiaries' taxes and tax returns;

environmental matters;

inapplicability of state takeover statutes;

intellectual property of Activision and its subsidiaries;

absence of indemnifiable claims against Activision or any of its subsidiaries;

receipt by Activision of a fairness opinion from Allen & Company LLC;

approval by the boards of directors of Activision and Merger Sub of the business combination agreement, the ancillary agreements thereto to which Activision is a party, and the transaction;

any person's entitlement to a broker's, finder's, financial advisor's or other similar fee or commission in connection with the transaction;

accuracy of the information supplied by or on behalf of Activision for this proxy statement; and

interim operations of Merger Sub.

Representations and Warranties by Vivendi, VGAC and Vivendi Games

Each of Vivendi, VGAC and Vivendi Games has made a number of representations and warranties to Activision and Merger Sub in the business combination agreement, including representations and warranties relating to the following matters:

corporate organization, qualifications to do business and corporate standing of Vivendi and Vivendi Games;

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capital structure, absence of restrictions or encumbrances with respect to, and ownership VGAC of the capital stock of Vivendi Games;

corporate organization, qualifications to do business and corporate standing of Vivendi Games' subsidiaries;

ownership of, and absence of restrictions or encumbrances with respect to, capital stock of Vivendi Games' subsidiaries;

corporate authority to enter into the business combination agreement and the ancillary agreements thereto and to consummate the transaction;

governmental and regulatory approvals required to complete the transaction;

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absence of any conflict or violation of the corporate charter and bylaws (or any similar organizational documents) of Vivendi, VGAC, Vivendi Games and Vivendi Games' subsidiaries, any applicable legal requirements, or any agreements with third parties, as a result of entering into and carrying out the obligations contained in the business combination agreement;

maintenance of books and records by Vivendi Games and its subsidiaries;

financial statements of Vivendi Games and its subsidiaries;

internal accounting controls of Vivendi Games;

absence of a material adverse effect with respect to Vivendi Games since December 31, 2006;

absence of undisclosed liabilities of Vivendi Games and any of its subsidiaries;

benefit plans, employees and employment practices of Vivendi Games and its subsidiaries;

compliance with employment/labor contracts and laws by Vivendi Games, its subsidiaries and their officers, employees and consultants whose annual salary exceeds \$200,000;

absence of collective bargaining arrangements and labor controversies at Vivendi Games and its subsidiaries;

material contracts and the absence of breaches of material contracts to which Vivendi Games or any of its subsidiaries is a party;

litigation involving Vivendi Games or any of its subsidiaries;

compliance with applicable law by Vivendi Games and its subsidiaries;

taxes and tax returns filed by Vivendi Games and its subsidiaries;

environmental matters;

inapplicability of state takeover statutes;

intellectual property of Vivendi Games and its subsidiaries;

absence of indemnifiable claims against Vivendi Games or any of its subsidiaries;

approval by the boards of directors of Vivendi, VGAC and Vivendi Games of the business combination agreement, the ancillary agreements thereto to which Vivendi, VGAC or Vivendi Games is a party, and the transaction;

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approval by VGAC, the sole stockholder of Vivendi Games, of the business combination agreement and the transaction;

any person's entitlement to a broker's, finder's, financial advisor's or other similar fee or commission in connection with the transaction; and

accuracy of the information supplied by or on behalf of Vivendi or Vivendi Games for this proxy statement.

The representations and warranties described in this proxy statement and included in the business combination agreement were made by each of Activision and Merger Sub, on the one hand, and Vivendi, VGAC and Vivendi Games, on the other hand, as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the business combination agreement and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, the representations and warranties may be subject to a contractual standard of materiality that is different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts. The business

combination agreement is described in this proxy statement and included as Annex A solely to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding the parties or their respective businesses. Accordingly, you should not rely on the representations and warranties in the business combination agreement as characterizations of the actual state of facts about the parties, and you should read the information provided elsewhere in this proxy statement and in the documents incorporated by reference into this proxy statement for information regarding the parties and their respective businesses. See the section entitled "Where You Can Find More Information."

Miscellaneous

Amendment and Waiver

The business combination agreement may be amended by Activision, Merger Sub, Vivendi, VGAC and Vivendi Games, only by action taken by or on behalf of their respective boards of directors, at any time prior to (but not following) the closing date. Notwithstanding the foregoing, (a) following the Activision stockholder approval, the business combination agreement may not be amended without approval by Activision's stockholders, and (b) after the closing date, the business combination agreement may not be amended without approval by a majority of the independent directors of Activision.

Expenses Generally

All fees and expenses incurred in connection with the business combination agreement and the transaction and the tender offer (including all fees and expenses of agents, representatives, counsel, financial advisors and accountants) will be paid by the party incurring the fees or expenses. Notwithstanding the foregoing, the fees and expenses of Goldman, Sachs & Co. and Gibson, Dunn & Crutcher LLP, respectively the financial and legal advisors to Vivendi and Vivendi Games, will be paid by Vivendi (other than legal fees incurred by Vivendi in respect of the new credit facilities).

CERTAIN AGREEMENTS RELATED TO THE TRANSACTION

The following summary describes the material provisions of the voting and lock-up agreements, the investor agreement and the tax sharing agreement, which have been or will be entered into in connection with the transaction. Copies of the voting and lock-up agreements are attached as Annexes E and F to this proxy statement and are incorporated by reference into this proxy statement. Copies of the investor agreement and the tax sharing agreement are attached to the business combination agreement as Exhibit D and Exhibit E, respectively, and are incorporated by reference into this proxy statement. The rights and obligations of the parties to the voting and lock-up agreements, the investor agreement and the tax sharing agreement are governed by the express terms and conditions of the voting and lock-up agreements, the investor agreement and the tax sharing agreement, respectively, and not by this summary. This summary may not contain all of the information about the voting and lock-up agreements, the investor agreement and the tax sharing agreement that may be important to you and is qualified in its entirety by reference to the complete text of the voting and lock-up agreements, the investor agreement and the tax sharing agreement. We encourage you to read the voting and lock-up agreements, the investor agreement and the tax sharing agreement carefully and in their entirety for a more complete understanding of these agreements.

Voting and Lock-Up Agreements

Concurrently with the execution of the business combination agreement, on December 1, 2007, Vivendi and Activision entered into voting and lock-up agreements with two stockholders of Activision. The two stockholders that are a party to the voting and lock-up agreements are Messrs. Robert A. Kotick, Activision's Chairman and Chief Executive Officer; and Brian G. Kelly, Activision's Co-Chairman. Messrs. Kotick and Kelly are referred to in this proxy statement, collectively, as the "management stockholders."

Agreement to Vote

Under the terms of the voting and lock-up agreements, the management stockholders have agreed that they will, between the execution of the voting and lock-up agreements and the earlier to occur of the closing of the transaction and the termination of the voting and lock-up agreements:

appear (in person or by proxy) at any annual or special meeting of Activision's stockholders for the purpose of obtaining a quorum; and

vote or, if requested, execute proxies with respect to (a) all shares of Activision common stock owned beneficially or of record by the management stockholders as of the date of the voting and lock-up agreements (or over which the management stockholders exercise voting power) as well as (b) all additional shares of Activision common stock that the management stockholders purchase or otherwise acquire beneficial ownership of during the period from the date of the voting and lock-up agreements through the termination of the voting and lock-up agreements, as follows:

in favor of approval of the business combination agreement and the transaction at every meeting of Activision's stockholders (and any adjournment or postponement thereof) at which such matters are considered;

against any proposal which would reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of (a) Activision under the business combination agreement or (b) the management stockholders under the voting and lock-up agreements; and

against any Activision acquisition proposal.

Transfer Restrictions

The management stockholders have also agreed to certain restrictions on the transfer of (a) shares of Activision common stock and other equity securities of Activision beneficially owned by the management stockholders as of the date of the voting and lock-up agreements, and (b) all additional shares of Activision common stock and other equity securities of Activision of which the management stockholders acquire beneficial ownership prior to the termination of the voting and lock-up agreements. These securities are referred to in this proxy statement as the "subject securities."

Between the execution of the voting and lock-up agreements and the closing of the transaction, the management stockholders will not, without Vivendi's prior written consent (a) transfer, or enter into any agreement with respect to a transfer of, any of the subject securities or any interest therein, (b) grant any proxies, options or rights of first offer or refusal with respect to any of the subject securities, or (c) enter into any voting agreement, voting trust or other voting arrangement with respect to any of the subject securities.

In addition, for a period of one hundred twenty (120) days after the closing date, the management stockholders will not, without Vivendi's prior written consent (a) transfer (including pursuant to the tender offer), or enter into any agreement with respect to a transfer of, more than 33¹/₃% of the subject securities, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the subject securities' economic consequences of ownership. Notwithstanding the foregoing and subject to certain limitations, the aforementioned restrictions will not apply to a transfer of the subject securities by gift, will or intestacy.

Registration Rights

The voting and lock-up agreements also provide for certain registration rights of the management stockholders.

Demand Registration Rights

After the expiration of the 120-day lock-up period described above, each of the management stockholders will be entitled to demand that Activision prepare and file with the SEC a registration statement relating to the sale of their securities of Activision, including in an underwritten offering, so long as such securities have a market value of at least \$50 million or represent all of the securities then held by such management stockholder.

Upon receipt of a demand notice, Activision is required to promptly give notice of such requested registration to all persons that may be entitled to participate in such sale. Thereafter, Activision must (a) prepare and file a registration statement with the SEC as soon as possible, but no later than ninety (90) days after receipt of the demand notice (subject to the right of Activision described below to delay such filing), and (b) use its reasonable efforts to have the registration statement declared effective as promptly as practicable after filing. Additionally, Activision is required to use reasonable efforts to keep the registration statement effective until the earlier of (x) one (1) year (in the case of a shelf registration statement) or sixty (60) days (in the case of any other registration statement) from the effective time of such registration statement and (y) such time as all the applicable securities are sold. Activision is not required to file more than two (2) registration statements relating to underwritten offerings, or two (2) registration statements which have become and remained effective in any twenty-four (24) months period.

Activision is permitted to postpone (or, if necessary or advisable, withdraw) the filing for a period that does not exceed one hundred twenty (120) days, if a majority of Activision's independent directors determines in good faith that the offering (a) would interfere with any pending material financing, acquisition, corporate reorganization or other corporate transaction involving Activision or any of its

subsidiaries, (b) would require disclosure of any event or condition that such directors determine would be disadvantageous for Activision to disclose and which Activision is not otherwise required to disclose at such time, or (c) would otherwise be materially detrimental to Activision and its subsidiaries, taken as a whole.

Piggyback Registration Rights

The voting and lock-up agreements also provide the management stockholders with piggyback registration rights such that if, after the expiration of the 120-day lock-up period described above, Activision proposes to file a registration statement (other than a registration statement on Form S-8 or Form S-4) in connection with a public offering of any securities of Activision, Activision is required to give at least ten (10) business days prior written notice of such proposed filing to the management stockholders, and the notice must offer the management stockholders the opportunity to register such number of securities as each of the management stockholders may request. Upon receipt of such notice, the management stockholders have seven (7) business days to specify the amount of securities to be included in the proposed registration.

In connection with an underwritten offering, if the managing underwriter advises that, in its good faith view, there is a maximum number of shares that may be offered, Activision's shares have first priority, and shares of other holders have second priority. All piggyback registration rights are in addition to any demand registration rights, and no piggyback registration of shares will relieve Activision of its obligation to provide a demand registration.

Expenses

Activision will bear all registration expenses specified in the voting and lock-up agreements as well as all other expenses incurred by it in connection with the performance of its obligations under the voting and lock-up agreements. The management stockholders will bear all other expenses relating to any registration or sale in which the management stockholders participate.

Termination

The voting and lock-up agreements will automatically terminate upon the earlier to occur of (a) the termination of the business combination agreement pursuant to its terms prior to the closing of the transaction, (b) the mutual agreement between Vivendi and the management stockholders, and (c) the date that is one hundred twenty (120) days after the closing date. However, the demand registration rights and piggyback registration rights will survive the termination of the voting and lock-up agreements until the earlier to occur of (a) the management stockholders' securities of Activision becoming transferable without volume restrictions pursuant to Rule 144(k) of the Securities Act, and (b) the first occurrence of a Termination Event.

Investor Agreement

Activision, Vivendi, VGAC and Vivendi Games have agreed to enter into an investor agreement on the closing date, in form and substance attached as Exhibit D to the business combination agreement, a copy of which is attached as Annex A to this proxy statement. Given that the proposed investor agreement will only take effect on the closing date, the following description refers to Activision Blizzard, the combined company following completion of the transaction.

Agreement to Vote

The proposed investor agreement provides that, prior to the first occurrence of a Termination Event, Vivendi and VGAC will vote all shares of Activision Blizzard common stock owned by them and their respective controlled affiliates:

in favor of (a) the nominees proposed for election as directors of Activision Blizzard by the independent nominating committee, subject to certain limited exceptions, and (b) the nominees proposed for election as directors of Activision Blizzard by the executive nominating committee, in each case, so long as such nominees are nominated in accordance with the post-closing certificate of incorporation and post-closing bylaws; and

against all proposals to remove any independent or executive directors other than in the event of malfeasance.

See "Certain Agreements Related To The Transaction Investor Agreement Ratification of Matters Approved at 2007 Annual Meeting of Activision Stockholders."

Vivendi Equity Awards

Reimbursement for Stock-Settled Equity Award Expenses

Under the terms of the proposed investor agreement, Activision Blizzard will reimburse Vivendi for expenses recorded by Vivendi and its controlled affiliates in connection with stock option and restricted stock awards to purchase shares of Vivendi common stock that were granted to Vivendi Games' employees between January 1, 2004 and the closing date.

Payment of Cash-Settled Equity Awards

Under the terms of the proposed investor agreement, Vivendi Games will be responsible for the payment of all amounts that are payable to its employees upon exercise of stock appreciation rights and/or restricted stock units with respect to shares of Vivendi common stock that were granted to Vivendi Games' employees prior to the closing date under Vivendi's stock option and other equity-based plans.

Reimbursement for Certain Social Security Contributions

Under the terms of the proposed investor agreement, Vivendi Games will be responsible for the payment of all amounts payable to Mr. Jean-François Grollemund, the current Chief Financial Officer of Vivendi Games, under his employment agreement with Vivendi. In addition, Activision Blizzard or Vivendi Games will reimburse Vivendi quarterly for all contributions to the French social security system in respect of Mr. Grollemund's employment.

Use of Transaction Proceeds

Vivendi and VGAC will acknowledge and agree that the cash consideration paid pursuant to the business combination agreement may be used by Activision Blizzard for its general corporate purposes, including payment of any fees and expenses in connection with the settlement of certain legal proceedings related to Activision's historical stock option grant practices.

Financial Statements

In order to facilitate the consolidation of Activision Blizzard and Vivendi for financial reporting purposes, Activision Blizzard will provide Vivendi with Activision Blizzard's quarterly consolidated financial statements through, and use its reasonable best efforts to comply with, Vivendi's consolidation and financial reporting process. Activision Blizzard will also provide certain financial and tax-related

information with respect to Activision Blizzard and its subsidiaries in order for Vivendi to comply with its reporting obligation under the "bénéfice mondial consolidé" tax scheme recognized and authorized by the French Ministry of the Economy and Finance.

To the extent required to enable Vivendi to comply with applicable French tax or regulatory requirements, including those with respect to the "bénéfice mondial consolidé" tax scheme, Activision Blizzard will provide Vivendi with a draft copy of each tax return required to be filed by Activision Blizzard or any of Activision Blizzard's subsidiaries at least forty (40) business days prior to the due date.

The aforementioned provisions regarding financial statements will remain in effect until the first occurrence of a Termination Event, except that Activision Blizzard's obligation to provide quarterly financial statements will continue following a Termination Event if Activision Blizzard is no longer required to file periodic reports with the SEC pursuant to the Exchange Act.

Registration Rights

The proposed investor agreement will grant certain registration rights to each of (a) Vivendi, (b) any of Vivendi's controlled affiliates, and (c) each holder of securities of Activision Blizzard that acquires from Vivendi or any of Vivendi's affiliates a number of shares of Activision Blizzard common stock that, as of the time of such acquisition, constitutes 10% or more of the aggregate number of issued and outstanding shares of Activision Blizzard common stock. The aforementioned persons are referred to in this proxy statement, collectively, as the "Activision Blizzard security holders."

Demand Registration Rights

Commencing one hundred twenty (120) days after the closing date, each of the Activision Blizzard security holders will be entitled to demand that Activision Blizzard prepare and file with the SEC a registration statement relating to the sale of their securities of Activision Blizzard, including in an underwritten offering, so long as such securities (a) have a market value of at least \$500 million, (b) represent at least 10% of the outstanding Activision Blizzard common stock, or (c) with respect to Vivendi and its controlled affiliates, represent all of Activision Blizzard's securities then held by Vivendi and its controlled affiliates.

Upon receipt of a demand notice, Activision Blizzard is required to promptly give notice of such requested registration to all persons that may be entitled to participate in such sale. Thereafter, Activision Blizzard must (a) prepare and file a registration statement with the SEC as soon as possible, but no later than ninety (90) days after receipt of the demand notice (subject to the right of Activision Blizzard described below to delay such filing), and (b) use its reasonable efforts to have the registration statement declared effective as promptly as practicable after filing. Additionally, Activision Blizzard is required to use reasonable efforts to keep the registration statement effective until the earlier of (x) one (1) year (in the case of a shelf registration statement) or sixty (60) days (in the case of any other registration statement) from the effective time of such registration statement and (y) such time as all the applicable securities are sold. Activision Blizzard is not required to file more than four (4) registration statements relating to underwritten offerings, or two (2) registration statements which have become and remained effective in any twenty-four (24) months period.

Activision Blizzard is permitted to postpone (or, if necessary or advisable, withdraw) the filing for a period that does not exceed one hundred twenty (120) days, if a majority of Activision Blizzard's independent directors determines in good faith that the offering (a) would interfere with any pending material financing, acquisition, corporate reorganization or other corporate transaction involving Activision Blizzard or any of its subsidiaries, (b) would require disclosure of any event or condition that such directors determine would be disadvantageous for Activision Blizzard to disclose and which

Activision Blizzard is not otherwise required to disclose at such time, or (c) would otherwise be materially detrimental to Activision Blizzard and its subsidiaries, taken as a whole.

Piggyback Registration Rights

The investor agreement also provides piggyback registration rights such that if, after the expiration of the one hundred twenty (120) day period described above, Activision Blizzard proposes to file a registration statement (other than a registration statement on Form S-8 or Form S-4) in connection with a public offering of any securities of Activision Blizzard, Activision Blizzard is required to give at least ten (10) business days prior written notice of such proposed filing to the Activision Blizzard security holders (provided that Activision Blizzard will not be obligated to provide such notice to any person other than Vivendi and its controlled affiliates unless either Vivendi or one of its controlled affiliates has provided written notice to Activision Blizzard that such other person qualifies as "holder" within the meaning of the investor agreement). The notice must offer the opportunity to register such number of securities as each of the Activision Blizzard security holders may request. Upon receipt of such notice, the Activision Blizzard security holders have seven (7) business days to specify the amount of securities to be included in the proposed registration.

In connection with an underwritten offering, if the managing underwriter advises that, in its good faith view, there is a maximum number of shares that may be offered, Activision Blizzard's shares have first priority, and shares of other holders have second priority. All piggyback registration rights are in addition to any demand registration rights, and no piggyback registration of shares will relieve Activision Blizzard of its obligation to provide a demand registration.

Expenses

Activision Blizzard will bear all registration expenses specified in the investor agreement as well as all other expenses incurred by it in connection with the performance of its obligations under the investor agreement. Each Activision Blizzard security holder that is entitled and elects to sell securities pursuant to a demand registration or piggyback registration will bear its other expenses relating to any registration or sale in which it participates.

Notice of Control Block Sales

At least five (5) business days prior to execution of any agreement with respect to a "control block sale" (as described below), each of Vivendi and VGAC will provide the Activision Blizzard board of directors with (a) written notice of its intention to enter into such agreement and (b) the identity of the prospective purchaser(s) and the financial terms of such control block sale.

As used in this proxy statement, the term "control block sale" means a sale or transfer by Vivendi or any of its controlled affiliates to an unaffiliated third party in a privately negotiated transaction (and not pursuant to a registration statement or trades on a national securities exchange or NASDAQ) of ownership of a number of shares of Activision Blizzard common stock that would, upon consummation of such transaction, result in such unaffiliated third party (or any "group" within the meaning of Section 13(d) or 14(d) of the Exchange Act of which it is a member) becoming the beneficial owner of (a) more than 50% of the then-outstanding shares of Activision Blizzard common stock or (b) a percentage of the then-outstanding Activision Blizzard common stock that exceeds the percentage of outstanding Activision Blizzard common stock owned of record by Vivendi and Vivendi's controlled affiliates after giving effect to such transaction.

Ratification of Matters Approved at 2007 Annual Meeting of Activision Stockholders

In February 2008, Activision discovered that, due to an error, the record date for its September 27, 2007 annual meeting was not in technical compliance with Delaware law or Activision's bylaws, which

require such record date to be not more than sixty (60) nor less than ten days (10) before the date of such meeting. In connection with the transaction, Vivendi has agreed to re-approve and ratify all actions and proposals approved by Activision's stockholders at such meeting, and to vote against any actions and proposals not approved by Activision's stockholders at such meeting, by written consent of the stockholders as permitted under Activision bylaws promptly after the closing of the transaction. If the transaction is not consummated for any reason, Activision intends to propose such actions and proposals for ratification at a special meeting of Activision's stockholders called for such purpose or at its next annual stockholder meeting.

Termination

The proposed investor agreement will automatically terminate upon the occurrence of a Termination Event.

Tax Sharing Agreement

VHIC and Activision have agreed to enter into a tax sharing agreement on the closing date in substantially the form attached as Exhibit E to the business combination agreement, a copy of which is attached as Annex A to this proxy statement. Given that the proposed tax sharing agreement will only take effect on the closing date, the following description refers to Activision Blizzard, the combined company following completion of the transaction.

Filing of Group Tax Returns

Under the proposed tax sharing agreement, Activision Blizzard and/or any of its subsidiaries, which are referred to in this proxy statement, collectively, as the "Activision Blizzard subgroup," will join with VHIC in filing certain consolidated, combined or unitary income or franchise tax returns that VHIC may elect or be required to file. Each of these tax returns is referred to in this proxy statement as a "group tax return."

Tax Liability and Payment

Under the proposed tax sharing agreement, Activision Blizzard will generally pay directly to the appropriate taxing authorities or otherwise discharge the tax liability of the Activision Blizzard subgroup. However, in the event that any Activision Blizzard subgroup member joins VHIC in the filing of a group tax return, Activision Blizzard will pay the Activision Blizzard subgroup's share of the tax liability for such group tax return to VHIC, and VHIC will pay the tax liability for the entire group to the appropriate taxing authority. Activision Blizzard will calculate the tax liability of the Activision Blizzard subgroup for any group tax return at least sixty (60) days prior to the due date of such tax return. In calculating the Activision Blizzard subgroup's tax liability under any group tax return, Activision Blizzard will determine its tax liability on a hypothetical basis as if the Activision Blizzard subgroup was filing its own separate group tax return. If Activision Blizzard would be required to make estimated payments of tax determined on such hypothetical basis, Activision Blizzard will make a good faith estimate of its tax liability pursuant to the hypothetical separate group tax return calculation, and pay such amount to VHIC.

If VHIC and Activision Blizzard disagree as to Activision Blizzard's calculation of its hypothetical separate tax return liability, the dispute will be resolved by Activision Blizzard's independent public accountants, unless Activision Blizzard's public accountants determine that making any such recommendation may conflict with their status of remaining independent, in which case the dispute will be resolved by the tax group of another nationally recognized independent accounting firm of Activision Blizzard's choosing. VHIC and Activision Blizzard will determine Activision Blizzard's actual tax liability pursuant to the hypothetical separate group tax return calculation for each group tax return

after the end of each taxable year and compare such amount to Activision Blizzard's actual payments to VHIC in respect of estimated taxes. Based on such comparison, VHIC and Activision Blizzard will make adjusting payments to address any overpayments or underpayments of tax by Activision Blizzard.

Under the proposed tax sharing agreement, unless otherwise required by applicable law, VHIC and Activision Blizzard will not take any actions in connection with any tax return or settlement of any tax contest that is reasonably expected to increase the tax liability of the other party, result in a reduction of a beneficial tax item of the other party or result in an increased liability of the other party under the proposed tax sharing agreement.

Repatriation Amount

Under the proposed tax sharing agreement, VHIC will make payments to Activision Blizzard in respect of (or the obligation of Activision Blizzard to make payments to VHIC under the proposed tax sharing agreement will be reduced by) fifty percent of the tax liability associated with certain distributions that may be made by non-U.S. subsidiaries of Vivendi Games to the Activision Blizzard subgroup during the five year period following the closing date of the transaction.

Indemnification

VHIC will indemnify the members of the Activision Blizzard subgroup for any tax liability imposed on the Activision Blizzard subgroup due to VHIC's failure to pay any group tax return tax liability, less any payments that Activision Blizzard owes to VHIC under the proposed tax sharing agreement. VHIC will also indemnify the members of the Activision Blizzard subgroup for any tax liability of VHIC arising in a tax period prior to the closing date that is in excess of the amount reserved for such tax liability on the Vivendi Games balance sheet for the quarter ended immediately prior to the closing date (VHIC will not, however, make any representation as to or warrant or guarantee the existence or value of any net operating losses, credits or other tax attributes of VHIC or any of its subsidiaries). In addition, VHIC will indemnify Activision Blizzard for any tax liability arising as a result of a disallowance by any taxing authority of any deduction as an "excess parachute payment" pursuant to Section 280G of the Internal Revenue Code or similar state or local tax law relating to any payment or benefit (a) in effect on or prior to the closing date and provided under any VHIC or Vivendi Games compensatory or similar arrangement and (b) arising as a result of the consummation of the transaction.

Activision Blizzard will indemnify VHIC for any tax liability imposed on VHIC or any of its subsidiaries (other than members of the Activision Blizzard subgroup) due to Activision Blizzard's failure to pay any taxes of the Activision Blizzard subgroup, less any payments that VHIC owes to Activision Blizzard under the proposed tax sharing agreement.

Tax Contests

The proposed tax sharing agreement provides that, in the case of any tax contests with any taxing authority involving a group tax return, Activision Blizzard will control the course of any proceedings with respect to such tax contests focused on tax items of any member of the Activision Blizzard subgroup, and VHIC will control all other such contests. Prior to entering into any settlement of any such tax contest with any taxing authority, the party controlling the tax contest is required to obtain the consent of the other party to the proposed tax sharing agreement, which consent will not be unreasonably withheld. However, if the parties disagree as to a portion of a proposed settlement, the party controlling the tax contest can enter into a settlement without the consent of the other party and will forgo its right to any contributing tax payments from the non-settling party with respect to the disputed portion of such settlement amount.

Dispute Resolution

Under the proposed tax sharing agreement, any other disputes between the parties with respect to the proposed tax sharing agreement will be resolved by a nationally recognized accounting firm that is jointly retained by VHIC and Activision Blizzard and mutually agreeable to both parties.

Services Agreement

At Activision's request, at the closing of the transaction, Activision Blizzard and Vivendi will enter into a services agreement, pursuant to which Vivendi will provide certain treasury-related services to certain Activision Blizzard subsidiaries for a period of up to three years, subject to extension and terminable by either party on not less than three months notice. Activision Blizzard will be charged a fee based on Vivendi's estimated cost of providing these services and will be obligated to reimburse Vivendi for its out-of-pocket expenses incurred in connection with the services. Activision Blizzard will also license software from Vivendi on a royalty-free basis in connection with certain of those services.

BOARD AND MANAGEMENT OF ACTIVISION BLIZZARD

This section of the document describes the material board and management arrangements that will apply to Activision Blizzard upon completion of the transaction.

Board of Directors

After completion of the transaction, the Activision Blizzard board of directors will consist of eleven (11) directors. Prior to the first occurrence of a Triggering Event and subject to applicable law or stock exchange listing rules, the Activision Blizzard board of directors will include six (6) Vivendi designees, Messrs. Robert A. Kotick and Brian G. Kelly who will serve in the capacity of executive directors, and three (3) independent directors.

We currently anticipate that the following individuals will serve on the initial Activision Blizzard board of directors following completion of the transaction:

Name	Age	Business Experience, Public Company Directorships Held
Robert A. Kotick	45	<i>Director; President and Chief Executive Officer of Activision Blizzard.</i> Mr. Kotick has been a member of the board of directors as well as Chairman and Chief Executive Officer of Activision since February 1991. Since March 2003, Mr. Kotick has served on the board of directors of Yahoo! Inc., an Internet content and service provider, and is a member of that board's nominating and corporate governance committee. He is also a member of the Board of Trustees for The Center for Early Education, is Chairman of the Committee of Trustees at the Los Angeles County Museum of Art and is a member of the board of directors of the Tony Hawk Foundation.
Brian G. Kelly	45	<i>Co-Chairman of Activision Blizzard.</i> Mr. Kelly has held various positions of responsibility with Activision since 1991, including serving as a director of Activision since July 1995 and as Co-Chairman of Activision since October 1998. Mr. Kelly holds a B.A. degree in accounting from Rutgers University and a J.D. degree from Fordham University School of Law.

Robert J. Corti 58 *Director.* Mr. Corti has been a director of Activision since December 2003 and currently serves as chairperson of the Audit Committee. Mr. Corti has more than 25 years of experience at Avon Products, Inc., a global manufacturer and marketer of beauty and related products. Mr. Corti joined Avon Products, Inc.'s tax department as a tax associate in 1976 and held positions of increasing responsibility in Avon Products, Inc.'s finance department throughout his tenure there. He served as the Executive Vice President and Chief Financial Officer of Avon Products, Inc. from 1998 until he retired from his positions as Chief Financial Officer in November 2005 and Executive Vice President in March 2006. Since June 2006, Mr. Corti has served on the board of directors of Bacardi Limited, a wine and spirits group, and, since January 2008, on the board of directors of ING Direct, a U.S. subsidiary of ING Group. Mr. Corti also serves as Chairman of the board of directors of the Avon Products Foundation. Mr. Corti holds a B.A. degree in Accounting from Queens College and an M.B.A. degree in Taxation from St. John's University. Mr. Corti is also a certified public accountant.

Robert J. Morgado 65 *Director.* Mr. Morgado has been a director of Activision since February 1997 and currently serves as chairperson of both the Compensation Committee and the Nominating/Corporate Governance Committee. Mr. Morgado is Chairman of Maroley Media Group, a media entertainment investment company he established in 1995. He previously served as Chairman and Chief Executive Officer of the Warner Music Group, Inc. from 1985 to 1995. Mr. Morgado serves on the boards of directors of the Maui Arts & Cultural Center and New Milford Hospital in Connecticut. He is also a member of the board of managers of Nest Top, LLC, the controlling shareholder of Nest Family and Nest Learning Systems, a children's entertainment company. Mr. Morgado holds a B.A. degree from Chaminade University of Honolulu and an M.P.A. degree from The State University of New York.

Richard Sarnoff	49	<p><i>Director.</i> Mr. Sarnoff has been a director of Activision since August 2005, and is employed by Bertelsmann AG, a diversified media and services company. Mr. Sarnoff serves as Executive Vice President of Random House, Inc., and as President of Bertelsmann Digital Media Investments (formerly Random House Ventures). Mr. Sarnoff became a member of the Supervisory Board of Bertelsmann AG, the parent company of Random House, Inc., in 2002. Previously, Mr. Sarnoff served as Executive Vice President and Chief Financial Officer of Random House, Inc. Mr. Sarnoff also currently serves on the Board of Directors of The Princeton Review, Inc. (NASDAQ: REVU) and is currently Chairman of the Board of the American Association of Publishers. Mr. Sarnoff holds a B.A. degree from Princeton University and an M.B.A. degree from Harvard Business School.</p>
Jean-Bernard Lévy	53	<p><i>Director.</i> Mr. Lévy has served as the Chairman of Vivendi's Management Board since April 2005. From August 2002 until April 2005, Mr. Lévy was Chief Operating Officer of Vivendi. Mr. Lévy currently serves as the Vice-Chairman of the Supervisory Board of Maroc Telecom and as the Chairman of the Supervisory Board of Canal+ France and Viroxis. Mr. Lévy is also a member of the Supervisory Board of Canal+ Group and a director of SFR, Vivendi Games, NBC Universal Inc. and Vinci and l'Institut Pasteur. Mr. Lévy previously served as Chairman and Chief Executive Officer of VU Net and VTI and as a director of UGC, Cegetel, Oddo Pinatton Group and HCA. Mr. Lévy is a graduate of the <i>École Polytechnique</i> and the <i>École Nationale Supérieure des Télécommunications</i>.</p>
René Péniisson	66	<p><i>Chairman of Activision Blizzard.</i> Mr. Péniisson has served as a Member of Vivendi's Management Board since April 2005 and as Chairman of Vivendi Games since January 2004. Mr. Péniisson has also served as Senior Executive Vice-President, Human Resources, of Vivendi since April 2004. Prior to these positions, Mr. Péniisson served as adviser to the Chairman and Chief Executive Officer, Social Relations and Organization of Vivendi beginning in September 2002. Mr. Péniisson previously served as a member of the Executive Committee of Aventis and as Chairman of the Boards of Aventis Animal Nutrition and RP Industrialisation. Mr. Péniisson graduated from the <i>École Supérieure de Chimie</i> in Lyon with an engineering degree. He holds a doctorate in engineering from the <i>Université de Lyon</i> and a degree from the French Management Institute.</p>

Bruce L. Hack	59	<p><i>Vice-Chairman and Chief Corporate Officer of Activision Blizzard.</i> Mr. Hack has been Vivendi Games' Chief Executive Officer and served on Vivendi Games' board of directors since January 2004. Mr. Hack was previously Executive Vice President Strategy and Development for Vivendi, during which time he was a key negotiator in the \$14 billion sale of Vivendi's film and television business (Universal Studios) to NBC. From 1998 to 2001, Mr. Hack was Vice Chairman of Universal Music Group, and from 1995 to 1998, he served as Executive Vice President and Chief Financial Officer of Universal Studios. From 1982 through 1994 Mr. Hack held various positions of responsibility with what was then the Seagram Company Ltd., including Chief Financial Officer of Tropicana Products, Inc. Mr. Hack joined Seagram after serving as a trade negotiator at the U.S. Treasury in Washington, D.C. Mr. Hack earned a B.A. from Cornell University and an M.B.A. from the University of Chicago.</p>
Douglas Morris	69	<p><i>Director.</i> Mr. Morris has served on Vivendi's Management Board since April 2005. Mr. Morris is currently the Chairman and Chief Executive Officer of Universal Music Group, a position he has held since November 1995. Mr. Morris also currently serves on the Board of Directors of the Robin Hood Foundation, the Cold Spring Harbor Laboratory, and the Rock and Roll Hall of Fame, in addition to serving as a director for various Universal Music Group subsidiaries. Mr. Morris is a graduate of Columbia University.</p>
Philippe Capron	50	<p><i>Director.</i> Mr. Capron has served as Chief Financial Officer and as a Member of the Management Board of Vivendi since April 2007. He joined Vivendi as Executive Vice-President in January 2007. Mr. Capron is also a member of the Supervisory Boards of Canal+ Group, Canal+ France and Maroc Telecom and a director of Vivendi Games, Inc. From 2006 until 2007, Mr. Capron served as Executive Vice-President Finance and as a Member of the Management Board of the Arcelor Group. From 2002 until 2006, Mr. Capron was Executive Vice-President of Arcelor. Mr. Capron is a graduate of the <i>École des Hautes Études Commerciales</i>, the <i>Institut d'Études Politiques de Paris</i> and the <i>École Nationale d'Administration</i>.</p>

Frédéric Crépin

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Director. Mr. Crépin has served as Senior Vice-President, Head of Legal Department of Vivendi since August 2005. Mr. Crépin joined Vivendi's office of the General Counsel and Legal Department in July 2000. Prior to joining Vivendi, Mr. Crépin served as an associate at several law firms in both Paris and New York. Mr. Crépin is a member of both the Paris and the New York bars, and is a graduate of the *Institut d'Etudes Politiques* de Paris. Mr. Crépin holds an LL.M. degree from New York University School of Law, a Masters Degree in European business law from the *Université Paris II Panthéon-Assas* and a Masters Degree in employment and labor law from the *Université Paris X Nanterre*.

Resignation; Removal; Vacancies

Under the post-closing bylaws, a director may resign his office at any time, and any director may be removed from office with or without cause at any time by the affirmative vote of stockholders holding of record in the aggregate at least a majority of the outstanding shares of Activision Blizzard stock, given at a special meeting of Activision Blizzard stockholders called for that purpose.

Under the post-closing bylaws, vacancies on the Activision Blizzard board of directors may generally only be filled by the affirmative vote of a majority of the remaining directors then in office, although fewer than a quorum, or by the sole remaining directors. However, prior to the first occurrence of a Termination Event:

a vacancy created by the resignation, death or removal of a Vivendi designee may only be filled by the affirmative vote of a majority of the directors on the Vivendi nominating committee; and

a vacancy created by the resignation, death or removal of an independent director may only be filled by the unanimous vote of the directors on the executive nominating committee.

In addition, prior to the first occurrence of a Triggering Event, a vacancy created by the resignation, death or removal of an executive director may only be filled by the unanimous vote of the directors on the executive nominating committee. See the section entitled "Corporate Governance of Activision Blizzard Activision Blizzard Board of Directors Committees of the Activision Blizzard Board of Directors" for a description of the committees and their composition.

Executive Management

Activision and Vivendi Games have agreed that, upon completion of the transaction, the following persons will hold the officer positions set forth opposite their names:

Name	Age	Office and Business Experience
René Pénisson	66	<i>Chairman of Activision Blizzard.</i> Mr. Pénisson has served as a Member of Vivendi's Management Board since April 2005 and as Chairman of Vivendi Games since January 2004. Mr. Pénisson has also served as Senior Executive Vice-President, Human Resources, of Vivendi since April 2004. Prior to these positions, Mr. Pénisson served as adviser to the Chairman and Chief Executive Officer, Social Relations and Organization of Vivendi beginning in September 2002. Mr. Pénisson previously served as a member of the Executive Committee of Aventis and as Chairman of the Boards of Aventis Animal Nutrition and RP Industrialisation. Mr. Pénisson graduated from the <i>École Supérieure de Chimie</i> in Lyon with an engineering degree. He holds a doctorate in engineering from the <i>Université de Lyon</i> and a degree from the French Management Institute.
Robert A. Kotick	45	<i>President and Chief Executive Officer of Activision Blizzard.</i> Mr. Kotick has been a member of the board of directors as well as Chairman and Chief Executive Officer of Activision since February 1991. Since March 2003, Mr. Kotick has served on the board of directors of Yahoo! Inc., an Internet content and service provider, and is a member of that board's nominating and corporate governance committee. He is also a member of the Board of Trustees for The Center for Early Education, is Chairman of the Committee of Trustees at the Los Angeles County Museum of Art and is a member of the board of directors of the Tony Hawk Foundation.
Brian G. Kelly	45	<i>Co-Chairman of Activision Blizzard.</i> Mr. Kelly has held various positions of responsibility with Activision since 1991, including serving as a director of Activision since July 1995 and as Co-Chairman of Activision since October 1998. Mr. Kelly holds a B.A. degree in accounting from Rutgers University and a J.D. degree from Fordham University School of Law.

Bruce L. Hack	59	<p><i>Vice-Chairman and Chief Corporate Officer of Activision Blizzard.</i> Mr. Hack has been Vivendi Games' Chief Executive Officer and served on Vivendi Games' board of directors since January 2004. Mr. Hack was previously Executive Vice President Strategy and Development for Vivendi, during which time he was a key negotiator in the \$14 billion sale of Vivendi's film and television business (Universal Studios) to NBC. From 1998 to 2001 Mr. Hack was Vice Chairman of Universal Music Group, and from 1995 to 1998 he served as Executive Vice President and Chief Financial Officer of Universal Studios. From 1982 through 1994 Mr. Hack held various positions of responsibility with what was then the Seagram Company Ltd., including Chief Financial Officer of Tropicana Products, Inc. Mr. Hack joined Seagram after serving as a trade negotiator at the U.S. Treasury in Washington, D.C. Mr. Hack earned a B.A. from Cornell University and an M.B.A. from the University of Chicago.</p>
Michael J. Griffith	51	<p><i>President and Chief Executive Officer of Activision Publishing, Inc.</i> Mr. Griffith has been President and Chief Executive Officer of Activision Publishing and Principal Executive Officer of Activision Inc. since June 2005. Prior to joining Activision, Mr. Griffith served in a number of executive level positions at The Procter & Gamble Company, a manufacturer of consumer goods products, from 1981 to 2005, including President of The Procter & Gamble Company's Global Beverage Division from 2002 to 2005, Vice President and General Manager, Coffee Products from 1999 to 2002 and Vice President and General Manager of Fabric & Home Care Japan and Korea and Fabric & Home Care Strategic Planning Asia for The Procter & Gamble Company from 1997 to 1999. Mr. Griffith holds a B.A. degree from Albion College and an M.B.A. degree from the University of Michigan.</p>
Michael Morhaime	40	<p><i>President and Chief Executive Officer of Blizzard Entertainment.</i> Mr. Morhaime co-founded Blizzard Entertainment in February 1991 and transitioned to the role of President from Vice President in April 1998. Mr. Morhaime has served on the Vivendi Games executive committee since January 1999, when Blizzard Entertainment became a subsidiary of Vivendi Games. Mr. Morhaime holds a Bachelor of Science degree in electrical engineering from the University of California at Los Angeles.</p>

Thomas Tipl	41	<p><i>Chief Financial Officer of Activision Blizzard.</i> Mr. Tipl has been Chief Financial Officer of Activision Publishing since October 2005 and Principal Financial and Accounting Officer of Activision since January 2006. Prior to joining Activision, Mr. Tipl served as Head of Investor Relations and Shareholder Services at The Procter & Gamble Company from 2004 to 2005. Mr. Tipl also served as Finance Director of The Procter & Gamble Company, Baby Care, Europe and as a member of the board of directors of The Procter and Gamble Company's Fater Italy Joint Venture from 2001 to 2003. Mr. Tipl co-founded The Procter & Gamble Company's Equity Venture Fund in 1999 and also served as Associate Director of Acquisitions and Divestitures for The Procter and Gamble Company from 1999 to 2001. Prior to 1999, Mr. Tipl served in various financial executive positions for The Procter and Gamble Company in Europe, China and Japan. Mr. Tipl holds a Masters degree in Economics & Social Sciences from the Vienna University of Economics and Business Administration.</p>
Jean-François Grollemund	63	<p><i>Chief Accounting Officer of Activision Blizzard.</i> Mr. Grollemund has been Vivendi Games' Executive Vice President and Chief Financial Officer, and served on Vivendi Games' board of directors since January 2004. Prior to that, Mr. Grollemund was Chief Operating Officer of VU Net (Europe & USA) and served as Chief Operating Officer and Chief Financial Officer in many positions for Vivendi Universal's Publishing Division in France and Latin America. Mr. Grollemund graduated from the Institut d'Études Politiques de Paris, and received a DESS in Law and Economic Science from the University Panthéon Sorbonne.</p>

Management Employment Agreements

As previously disclosed, on December 1, 2007, Activision entered into an amended and restated employment agreement with Mr. Robert A. Kotick, pursuant to which Mr. Kotick will serve as President and Chief Executive Officer of Activision. The employment agreement with Mr. Kotick is referred to in this proxy statement as the "Kotick employment agreement." Also, as previously disclosed, on December 1, 2007, Activision entered into an amended and restated employment agreement with Mr. Brian G. Kelly, pursuant to which Mr. Kelly will serve as Co-Chairman of Activision. The employment agreement with Mr. Kelly is referred to in this proxy statement as the "Kelly employment agreement."

Both the Kotick employment agreement and the Kelly employment agreement supersede and replace the existing employment agreements between Activision and each of Messrs. Kotick and Kelly, specifically the prior employment agreements with each of them dated May 22, 2000, which were scheduled to expire on March 31, 2008. Pursuant to the amended and restated employment agreements, each of Messrs. Kotick and Kelly have agreed to waive, in connection with the transaction,

certain benefits they would have been entitled to receive under the prior employment agreements. The waived benefits include the right to (a) elect to receive a cash payment in respect of all stock options held by Messrs. Kotick and Kelly equal to, as to each share of Activision common stock subject to such stock options, the excess of the closing price of Activision common stock on the date of the transaction over the option exercise price, (b) accelerated vesting on the date of the transaction of unvested stock options granted in June 2007, and (c) resign for any reason during the six-month period following the three-month anniversary of the transaction and receive severance of five times the sum of their base salary and most recent annual bonus, as well as a pro-rata annual bonus for the year of resignation and two years of health insurance continuation.

Replacement Bonus Agreements

Messrs. Kotick's and Kelly's prior employment agreements provided for the payment of certain benefits upon a change of control of Activision. On December 29, 2006, these agreements were amended to remove certain of those benefits that may have imposed adverse tax consequences on Messrs. Kotick and Kelly under Section 409A of the Internal Revenue Code of 1986, as amended. In connection with these amendments, the parties agreed to negotiate in good faith to develop benefits reasonably comparable to those forgone by Messrs. Kotick and Kelly under their prior employment agreements.

As a result of those negotiations, on December 1, 2007, Activision entered into replacement bonus agreements with each of Messrs. Kotick and Kelly. These agreements provide that each of Messrs. Kotick and Kelly will receive two cash bonuses and a grant of RSUs. The first cash bonus of \$5,000,000 was paid in a cash lump sum on December 28, 2007. The second cash bonus of \$5,000,000 will be paid in a cash lump sum on the closing date so long as the closing date occurs on or before June 30, 2009 and each of Messrs. Kotick and Kelly is continuously employed through the closing date.

In addition, each of Messrs. Kotick and Kelly will receive a grant of 363,637 RSUs on the closing date so long as the closing date occurs on or before June 30, 2009 and they are continuously employed through the closing date. The RSUs for Mr. Kotick will vest in three equal annual installments on December 31, 2008, December 31, 2009 and December 31, 2010. The RSUs for Mr. Kelly will vest in full on December 31, 2010. In the event that either Mr. Kotick or Mr. Kelly resigns or is terminated for any reason other than for cause (as defined in the Kotick and Kelly employment agreements), the vesting of all unvested RSUs will accelerate. RSUs will be settled in shares of common stock within thirty days following the date on which they vest.

Kotick Employment Agreement

The Kotick employment agreement became effective on December 1, 2007 and will expire on December 31, 2012. During the term of the Kotick employment agreement, Mr. Kotick will be entitled to an annual base salary of \$950,000, with annual increases equal to the average percentage increase approved by the compensation committee of the Activision board of directors for members of the executive leadership team, excluding any increases guaranteed by contract or due to an executive's significant promotion or modification in duties. Additionally, Mr. Kotick will be eligible to receive an annual bonus under Activision's 2007 Incentive Plan, with a target amount of 200% of his base salary based upon achievement of certain financial and business objectives determined by the compensation committee. Mr. Kotick will also be eligible to participate in all benefit and perquisite plans, programs and arrangements generally made available to Activision's executives. In addition, for a period of ten years following the effective date of the Kotick employment agreement, Activision will provide Mr. Kotick with a life insurance policy having a death benefit equal to three times Mr. Kotick's salary and target annual bonus as of December 1, 2007.

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Pursuant to the amended and restated employment agreement, on December 5, 2007, the third business day following the compensation committee's approval of the Kotick employment agreement, Mr. Kotick received a grant of 1,850,000 non-qualified stock options to purchase shares of Activision common stock. These new options have an exercise price equal to \$26.58 and will vest in sixty equal monthly installments commencing on January 1, 2008.

On the closing date, Mr. Kotick will receive a grant of 1,250,000 performance shares, which will vest in 20% increments on each of the first, second, third and fourth anniversaries of the closing date, with another 20% vesting on December 31, 2012, the expiration date of the Kotick employment agreement, in each case subject to Activision attaining the specified compound annual total shareholder return target for that vesting period. If Activision does not achieve the performance target for a vesting period, none of Mr. Kotick's performance shares mentioned above will vest for that vesting period. If, however, Activision achieves a performance target for a subsequent vesting period, then all of such performance shares that would have vested on the previous vesting date will vest on the vesting date where the performance targets were achieved.

The Kotick employment agreement also entitles Mr. Kotick to severance benefits upon his termination of employment depending on the reason for termination. In the event Mr. Kotick's employment is terminated by Activision without cause, or he resigns his employment for good reason (each as defined in the Kotick employment agreement), other than during the 12-month period following a change of control (as defined in the Kotick employment agreement), he will receive (a) two times his base salary and target annual bonus for the year of termination of employment, (b) a pro-rata annual bonus for the year of his termination of employment, (c) two years of medical benefit continuation, (d) accelerated vesting of all outstanding options granted on or prior to June 15, 2007, (e) accelerated vesting of 40% of the new options (or the remaining unvested options, if less than 40%), and (f) vesting of a portion of the performance shares. If Mr. Kotick's employment is terminated on account of his disability (as defined in the Kotick employment agreement), he will receive one times his base salary and the benefits described in clauses (b), (c) and (d) above. Upon Mr. Kotick's resignation other than for good reason or termination for cause, he will not be eligible to receive additional severance benefits.

Upon a change of control of Activision following consummation of the transaction, Mr. Kotick is entitled to (a) accelerated vesting of all outstanding options granted prior to January 1, 2007, (b) accelerated vesting of 20% of the options granted on June 15, 2007, and (c) accelerated vesting of the new options and the performance shares as follows: (w) 60% of the total number of new options and performance shares if the change of control occurs prior to January 1, 2009, (x) 40% of the total number of new options and performance shares if the change of control occurs during calendar year 2009, (y) 20% of the total number of new options and performance shares if the change of control occurs during calendar year 2010, and (z) up to 100% of the total number of new options and performance shares if the change of control occurs during calendar year 2011 or 2012. Mr. Kotick will also be entitled to a gross-up payment for any excise taxes imposed on him under Section 4999 of the Internal Revenue Code. Moreover, if Mr. Kotick's employment is terminated during the 12-month period following a change of control by Activision without cause, or by Mr. Kotick for good reason, he will be entitled to (a) three times his base salary and bonus, (b) a pro rata annual bonus for the year of termination and (c) two years of medical benefit continuation. Finally, if Mr. Kotick's employment is terminated following a change of control which occurs prior to January 1, 2011 either on account of his disability, by Activision without cause or by Mr. Kotick for good reason, the amount of severance will be reduced by the value of any new options and performance shares accelerated in connection with the change of control in excess of \$25 million.

Mr. Kotick is subject to Activision's standard proprietary information agreement. In addition, for a period of two years following the termination of his employment, Mr. Kotick will be prevented from

soliciting employees of Activision and from utilizing confidential and proprietary information to solicit customers, employees and other Activision affiliates.

Kelly Employment Agreement

The Kelly employment agreement became effective on December 1, 2007 and will expire on March 31, 2011. Through March 31, 2008, Mr. Kelly continued to receive a base salary of \$876,920. Beginning on April 1, 2008 and for the duration of the term of the Kelly employment agreement, Mr. Kelly will be entitled to a reduced annual base salary of \$450,000, with annual increases at the discretion of the compensation committee of the Activision board of directors. For fiscal year 2008, Mr. Kelly was eligible for an annual bonus under Activision's existing Executive Bonus Plan. Thereafter, Mr. Kelly is not entitled to an annual bonus unless otherwise determined by the compensation committee in its sole discretion. Mr. Kelly will also participate in all benefit and perquisite plans, programs and arrangements generally made available to Activision's executives. In addition, for the duration of the term of the Kelly employment agreement, Activision will provide Mr. Kelly with a life insurance policy having a death benefit equal to \$6,000,000.

The Kelly employment agreement entitles Mr. Kelly to severance benefits upon his termination of employment depending on the reason for termination. In the event Mr. Kelly's employment is terminated by Activision without cause, or he resigns his employment for good reason (each as defined in the Kelly employment agreement), he will receive (a) three times the average annual base salary and bonus paid to him for the three most recent fiscal years, (b) a pro-rata annual bonus for the year of his termination of employment, (c) two years of medical benefit continuation, and (d) accelerated vesting of all outstanding options granted on or prior to June 15, 2007. If Mr. Kelly's employment is terminated on account of his disability (as defined in the Kelly employment agreement), he will receive one times his average base salary for the three most recent fiscal years and the benefits described in clauses (b), (c) and (d) above. If the good reason event is Activision failing to renew the Kelly employment agreement on similar terms and conditions at the end of the term, the severance amount in clause (a) will be reduced to "two times" the average annual base salary and bonus paid to him for the three most recent fiscal years.

Upon a change of control of Activision following the consummation of the transaction, Mr. Kelly is entitled to (a) accelerated vesting of all outstanding options granted prior to January 1, 2007 and (b) accelerated vesting of 20% of the options granted on June 15, 2007. Mr. Kelly will also be entitled to a gross-up payment for any excise taxes imposed on him under Section 4999 of the Internal Revenue Code.

For a period of one year following the termination of his employment, Mr. Kelly will be prevented from (a) competing with Activision, (b) soliciting employees of Activision and (c) utilizing confidential and proprietary information to solicit customers, employees and other Activision affiliates. Moreover, Mr. Kelly remains subject to Activision's standard proprietary information agreement.

Griffith Employment Agreement Amendment

Michael Griffith currently serves as President and Chief Executive Officer of Activision Publishing pursuant to an employment agreement, which we refer to as the Griffith employment agreement. As previously disclosed, on December 1, 2007, Activision entered into an amendment to the Griffith employment agreement to provide additional incentives for Mr. Griffith to remain employed by Activision Publishing following the completion of the transaction. The amendment to the Griffith employment agreement becomes effective upon completion of the transaction.

The amendment to the Griffith employment agreement provides that, on the closing date, Mr. Griffith will receive 50,000 stock options and 50,000 RSUs. The stock options will vest in three

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equal annual installments on each of the first, second and third anniversaries of the closing. The RSUs will vest in full on June 30, 2010.

In addition, the amendment modifies the vesting provisions of certain equity awards previously granted to Mr. Griffith to reduce the vesting term by one year. Under his employment agreement, Mr. Griffith had received 1,000,000 stock options under Activision's 2003 Incentive Plan, which were granted in three tranches. The first tranche consisted of 350,000 stock options, which were to vest ratably over five years beginning on June 15, 2006. The amendment provides that these stock options will now vest in four installments as follows: 20% on June 15, 2006, 20% on June 15, 2007, 20% on June 15, 2008 and 40% on June 15, 2009. The second tranche consisted of 350,000 stock options, which were to vest in full on June 15, 2010, subject to possible earlier vesting if Mr. Griffith attained certain performance objectives. The amendment provides that these stock options will now vest in full on June 15, 2009, subject to possible earlier vesting if Mr. Griffith attains certain performance objectives. The third tranche consisted of 300,000 stock options, which were to vest in full on June 15, 2010. The amendment provides that these options will now vest in full on June 15, 2009.

Pursuant to his employment agreement, Mr. Griffith also received a grant of RSUs, which were to vest in three equal annual installments on June 15, 2008, June 15, 2009 and June 15, 2010. The amendment provides that the RSUs will now vest in two installments, with one third ($\frac{1}{3}$) of the shares to vest on June 15, 2008, and two-thirds ($\frac{2}{3}$) of the shares to vest on June 15, 2009.

CORPORATE GOVERNANCE OF ACTIVISION BLIZZARD

The following section summarizes the material provisions of the post-closing certificate of incorporation and the post-closing bylaws. Upon closing of the transaction and assuming approval of the charter amendment proposal and the bylaw amendment proposal by Activision stockholders, Activision's certificate of incorporation and bylaws will be amended and restated in their entirety. Copies of the post-closing certificate of incorporation and the post-closing bylaws are attached as Annexes B and C, respectively, to this proxy statement, and are incorporated herein by reference.

The following summary may not contain all of the information about the post-closing certificate of incorporation and the post-closing bylaws that may be important to you and is qualified in its entirety by reference to the complete text of the post-closing certificate of incorporation and the post-closing bylaws. We encourage you to read the post-closing certificate of incorporation and the post-closing bylaws carefully and in their entirety for a more complete understanding of these documents.

Corporate Name

The combined company's corporate name will be "Activision Blizzard, Inc."

Fiscal Year

The fiscal year of the combined company will end on December 31.

Capital Stock

The total number of shares of capital stock that Activision Blizzard will have the authority to issue under the post-closing certificate of incorporation is one billion two hundred five million (1,205,000,000) shares, of which (a) one billion two hundred million (1,200,000,000) shares will be designated common stock, par value \$0.000001 per share, and (b) five million (5,000,000) shares will be designated preferred stock.

Activision Blizzard Board of Directors

Size of the Activision Blizzard Board of Directors

After completion of the transaction, the Activision Blizzard board of directors will consist of eleven (11) directors.

Composition of the Activision Blizzard Board of Directors

Prior to the first occurrence of a Triggering Event, the members of the Activision Blizzard board of directors will include:

six (6) directors designated by Vivendi (these directors are referred to in this proxy statement, collectively, as "Vivendi designees");

two (2) Activision management directors (these directors are referred to in this proxy statement, collectively, as "executive directors"); and

three (3) directors who currently serve on Activision's board of directors and who qualify as "independent directors" pursuant to Rule 4200(15) of the NASDAQ Marketplace Rules (these directors are referred to in this proxy statement, collectively, as "independent directors").

If, at any time prior to the first occurrence of a Triggering Event, while Activision Blizzard's securities are listed on NASDAQ or any other U.S. stock exchange, applicable law or listing rules require a greater number of independent directors, the size of the Activision Blizzard board of directors will be increased to add (a) the number of additional required independent directors, and

(b) a number of additional Vivendi designees such that at least a majority of the directors will be Vivendi designees.

Following the first occurrence of a Triggering Event, but prior to the first occurrence of a Termination Event, (a) the Activision Blizzard board of directors will include a number of Vivendi designees that is proportional to the Vivendi Voting Interest, and (b) the Vivendi nominating committee (as described below in the section entitled "Corporate Governance of Activision Blizzard Activision Blizzard Board of Directors Committees of the Activision Blizzard Board of Directors") will be entitled to nominate individuals for the Vivendi designees; provided that if, at any time while Activision Blizzard's securities are listed on NASDAQ or any other U.S. stock exchange, applicable law or listing rules require that at least a majority of the Activision Blizzard board of directors be "independent" as defined by such law or listing rules, then (x) the size of the Activision Blizzard board of directors will be increased to add the number of additional independent directors to satisfy such law or listing rules, and (y) such vacancies will be filled by individuals nominated by the Vivendi designees and appointed by the affirmative vote of a majority of the directors then in office.

Classification of the Activision Blizzard Board of Directors

Activision Blizzard will have one class of directors.

Committees of the Activision Blizzard Board of Directors

The Activision Blizzard board of directors will have three standing committees: (a) an audit committee, (b) a compensation committee, and (c) a nominating and corporate governance committee. In addition to the three standing committees, the Activision Blizzard board of directors will establish three (3) subcommittees of the nominating and corporate governance committee:

a Vivendi nominating committee, which will be maintained until the first occurrence of a Termination Event and will be comprised solely of Vivendi designees;

an independent nominating committee, which will be maintained until the first occurrence of a Termination Event and will be comprised solely of independent directors; and

an executive nominating committee, which will be maintained until the first occurrence of a Triggering Event and will be comprised of two (2) Vivendi designees and two (2) independent directors.

The three subcommittees of the Activision Blizzard nominating and corporate governance committee are referred to in this proxy statement, collectively, as "special nominating committees."

All committees of the Activision Blizzard board of directors (other than the special nominating committees and the audit committee) will:

prior to the first occurrence of a Triggering Event, (a) have at least a majority of Vivendi designees, and (b) include at least one (1) independent director; and

following the first occurrence of a Triggering Event and prior to the first occurrence of a Termination Event, include at least a number of Vivendi designees that is proportional to the Vivendi Voting Interest, rounded up to the nearest whole number.

Controlled Company Exemption

Following completion of the transaction, we expect that Activision Blizzard will qualify as a "controlled company," as that term is defined by Rule 4350(c)(5) of the NASDAQ Marketplace Rules. A controlled company is a company of which more than 50% of the voting power is held by an individual, group or another company. Immediately after the completion of transaction, Vivendi and its subsidiaries will collectively own more than 50% of the voting power of the outstanding common stock

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of Activision Blizzard. Accordingly, we believe that Activision Blizzard will be generally exempt from the requirements of Rule 4350(c) of the NASDAQ Marketplace Rules that would otherwise require Activision Blizzard to have:

a majority of independent directors;

a compensation committee composed solely of independent directors;

compensation of Activision Blizzard's executive officers determined by a majority of independent directors or a compensation committee composed solely of independent directors;

a nominating committee composed solely of independent directors; and

director nominees selected, or recommended for the board of directors' selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

Quorum for Meetings of the Activision Blizzard Board of Directors

Prior to the first occurrence of a Triggering Event, the presence in person of a number of directors equal to a majority of the total number of directors plus one (1) will constitute a quorum for meetings of the Activision Blizzard board of directors. If a quorum is not obtained at a meeting of the Activision Blizzard board of directors solely because none of the executive directors or independent directors was present at such meeting, then, for purposes of the next meeting, a quorum for such meeting solely with respect to those matters duly noticed for the prior meeting will require the presence, in person, of a number of directors equal to a majority of the total number of directors.

Following the first occurrence of a Triggering Event, the presence in person of a number of directors equal to a majority of the total number of directors will constitute a quorum for meetings of the Activision Blizzard board of directors.

Acts of the Activision Blizzard Board of Directors

Prior to the first occurrence of a Triggering Event, the vote of a majority of the votes present or otherwise able to be cast will constitute an act of the Activision Blizzard board of directors.

Following the first occurrence of a Triggering Event, the vote of a majority of the directors present will constitute an act of the Activision Blizzard board of directors.

Voting Power of Vivendi Designees

Prior to the first occurrence of a Triggering Event, at each meeting of the Activision Blizzard board of directors or any committee of the Activision Blizzard board of directors (other than the special nominating committees and the audit committee), each Vivendi designee who is not an employee of Activision Blizzard or any of Activision Blizzard's subsidiaries and who is present at such meeting will be entitled to cast a number of votes equal to the quotient of (a) the sum of (x) the total number of Vivendi designees who are not employees of Activision Blizzard or any of Activision Blizzard's subsidiaries and who serve on the Activision Blizzard board of directors or any committee thereof and who are not present at such meeting plus (y) the total number of Vivendi designees (other than Vivendi designees who are not employees of Activision Blizzard or any of Activision Blizzard's subsidiaries) who serve on the Activision Blizzard board of directors or any committee thereof and who are not present at such meeting, divided by (b) the total number of Vivendi designees who are not employees of Activision Blizzard or any of Activision Blizzard's subsidiaries and who are present at such meeting.

Vacancies on the Activision Blizzard Board of Directors

In general, vacancies on the Activision Blizzard board of directors may only be filled by the affirmative vote of a majority of the remaining directors then in office, although fewer than a quorum, or by the sole remaining director. However, prior to the first occurrence of a Termination Event:

a vacancy created by the resignation, death or removal of a Vivendi designee may only be filled through the affirmative vote of a majority of the directors on the Vivendi nominating committee; and

a vacancy created by the resignation, death or removal of an independent director may only be filled through the affirmative vote of a majority of the directors on the independent nominating committee.

In addition, prior to the first occurrence of a Triggering Event, a vacancy created by the resignation, death or removal of an executive director may only be filled by the unanimous vote of the directors on the executive nominating committee.

Approval of Certain Matters by Activision Blizzard Board of Directors

Prior to the fifth anniversary of the closing date, the approval of certain matters by the Activision Blizzard board of directors will require the affirmative vote of (a) a majority of the votes present or otherwise able to be cast at a meeting of the board of directors, and (b) at least a majority of the independent directors.

These matters include:

the declaration and payment of any dividend on Activision Blizzard's capital stock, provided that after the first anniversary of the closing date, this restriction will not apply if Activision Blizzard's pro forma net debt amount, after giving effect to such dividend, does not exceed \$400 million;

changing Activision Blizzard's state of incorporation;

any transaction or agreement between Activision Blizzard or any of its subsidiaries, on the one hand, and Vivendi or any of Vivendi's controlled affiliates, on the other hand;

waiver of the provisions of Section 203 of the DGCL with respect to any transaction involving Vivendi or any of Vivendi's controlled affiliates;

any change in Activision Blizzard's corporate name;

any relocation of Activision Blizzard's headquarters or principal offices to any location not in the Los Angeles, California area;

subject to certain limited exceptions, the creation of any committee of the Activision Blizzard board of directors;

prior to the first occurrence of a Triggering Event, any increase in the size of the Activision Blizzard board of directors, except as otherwise required pursuant to the provisions relating to the composition of the Activision Blizzard board of directors outlined above; or

the appointment or election of Activision Blizzard's chief financial officer.

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Prior to the third (3rd) anniversary of the closing date, the affirmative vote of (a) a majority of the votes present or otherwise able to be cast, and (b) at least a majority of the independent directors will be required for:

the termination, with or without cause, of Activision Blizzard's chief executive officer; or

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in the event Activision Blizzard's chief executive officer resigns for "good reason" (as defined in the chief executive officer's employment agreement), the appointment or election of a new chief executive officer.

Matters Relating to Activision Blizzard Stockholders

Special Meetings of Activision Blizzard Stockholders

Special meetings of Activision Blizzard stockholders may only be called by the Activision Blizzard board of directors pursuant to a resolution approved by a majority of the directors then in office. Stockholders of Activision Blizzard are not permitted to call a special meeting or to require that the Activision Blizzard board of directors call a special meeting of stockholders.

Advance Notice Requirement for Stockholder Proposals

In order for nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to Activision Blizzard's Corporate Secretary.

To be timely, a stockholder's notice of business must be delivered to Activision Blizzard's Corporate Secretary at the principal executive offices of Activision Blizzard:

not less than forty-five (45) nor more than seventy-five (75) days prior to the first anniversary of the date on which Activision Blizzard first mailed its proxy materials for the previous year's annual meeting of stockholders; or

if either (a) no proxy materials were mailed in connection with the previous year's annual meeting or (b) the date of the annual meeting is more than thirty (30) days before or thirty (30) days after the anniversary of the previous year's annual meeting, not later than the close of business on the later of the ninetieth (90th) day before the annual meeting or the tenth (10th) day after public announcement of the date of the annual meeting.

In the event that the number of directors to be elected at the annual meeting is increased, and there is no public announcement naming all of the nominees for director or specifying the size of the increased board of directors at least fifty-five (55) days prior to the first anniversary of the previous year's annual meeting, a stockholder's notice with respect to nominees for the additional directorships will be considered timely if delivered to Activision Blizzard's Corporate Secretary at the principal executive offices of Activision Blizzard not later than ten (10) days following the day on which such public announcement is first made.

Future Amendments to Post-Closing Bylaws

Subject to the exceptions specified below, amendments to the post-closing bylaws may be made by either (a) the affirmative vote of the holders of at least a majority of the voting power of the then outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, or (b) the Activision Blizzard board of directors at any regular or special meeting without the assent or vote of Activision Blizzard stockholders.

The following exceptions apply:

The affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon is required to amend bylaw provisions that protect the stockholders of Activision Blizzard, including:

Section 2.4 (Special Meetings of Stockholders);

Section 2.6(a) (Quorum Requirements for Meetings of Stockholders);

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Section 2.14 (Notice of Stockholder Business and Nominations); and

Section 8.4 (Amendment of Post-Closing Bylaws) as it relates to the aforementioned sections.

The affirmative vote of the holders of more than 66²/₃% of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon is required to amend Section 3.3 (Vivendi Stockholder's Right to Proportionate Representation); and Section 8.4 (Amendment of Post-Closing Bylaws) as it relates to the aforementioned section.

Certain post-closing bylaw provisions protecting Vivendi or the minority stockholders may only be amended as follows: (a) prior to the first occurrence of a Triggering Event, by the affirmative vote of (x) the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, and (y) the holders of at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of capital stock owned by Vivendi and its controlled affiliates; and (b) after the first occurrence of a Triggering Event, by the affirmative vote of the holders of more than 66²/₃% of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon. These provisions include:

Section 3.2(b) (Composition of Activision Blizzard Board of Directors);

Section 3.4(b) (Vacancies on Activision Blizzard Board of Directors);

Section 3.6 (Quorum and Action Requirements for Activision Blizzard Board of Directors);

Section 3.10(c) (Creation of Special Nominating Committees);

Section 3.10(d) (Composition of Activision Blizzard Board Committees);

Section 3.10(f) (Quorum Requirements for Activision Blizzard Board Committees); and

Section 8.4 (Amendment of Post-Closing Bylaws) as it relates to the aforementioned sections.

The affirmative vote of the holders of (a) at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock, and (b) at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and Vivendi's controlled affiliates is required to amend:

Section 2.3 (Purposes of Annual Meeting; Election of Directors); and

Section 8.4 (Amendment of Post-Closing Bylaws) as it relates to the aforementioned section.

Prior to the fifth anniversary of the closing date, Section 3.12 (Approval of Certain Matters by Activision Blizzard Board of Directors), Section 4.3 (Chief Executive Officer) and Section 8.4 (Amendment of Post-Closing Bylaws) (as it relates to the foregoing sections) may only be amended by either:

the separate affirmative vote of (a) a majority of the votes present or otherwise able to be cast at a meeting of the board of directors, and (b) at least a majority of the independent directors; or

the separate affirmative vote of the holders of (a) at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock, and (b) at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and Vivendi's controlled affiliates.

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In addition to any vote required by law, the separate affirmative vote of the holders of (a) at least a majority of the shares of Activision Blizzard's capital stock, and (b) at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and Vivendi's controlled affiliates is required to amend:

Section 3.3(b) as to decrease the percentages in the definitions of "Triggering Event" and "Termination Event" set forth therein, or

any of the provisions of the post-closing bylaws in a manner that would be beneficial to Vivendi and Vivendi's controlled affiliates in their capacities as stockholders, other than amendments that affect the rights of all stockholders in the same manner.

Future Amendments to Post-Closing Certificate of Incorporation

Amendments to the post-closing certificate of incorporation may be made in accordance with Section 242 of the DGCL, except that:

The affirmative vote of the holders of Activision Blizzard's capital stock entitled to vote thereon representing more than 66²/₃% of the shares entitled to be voted thereon is required to amend:

Section 5.3(a)(i) (Amendment of Post-Closing Bylaw Provisions Protecting All Stockholders);

Section 5.3(a)(ii) (Amendment of Post-Closing Bylaw Provision Protecting Vivendi Stockholder's Right to Proportionate Representation);

Section 5.3(c) (Amendment of Post-Closing Bylaws by Stockholders); and

Articles VIII and IX, subject to the requirements specified below for the amendment of Sections 8.2, 8.3, 8.5 and 9.1(b).

Section 5.1(b) (Quorum Requirements for Committees) and Section 5.3(a)(iii) (Amendment of Certain Post-Closing Bylaw Provisions Protecting Vivendi) may only be amended as follows: (a) prior to the first occurrence of a Triggering Event, by the affirmative vote of (x) the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, and (y) the holders of at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and its controlled affiliates; and (b) after the first occurrence of a Triggering Event, by the affirmative vote of the holders of more than 66²/₃% of the voting power of the outstanding shares of the Activision Blizzard's capital stock entitled to vote thereon.

The affirmative vote of (a) the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, and (b) the holders of at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of capital stock owned by Vivendi and Vivendi's controlled affiliates is required to amend:

Sections 5.3(a)(iv), 5.3(a)(v) and 5.3(b) (Amendment of Certain Post-Closing Bylaw Provisions Protecting Minority Stockholders);

Section 8.2 (Business Activities);

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Section 8.3 (Corporate Opportunities);

Section 8.5 (Purchase of Activision Blizzard Stock by Vivendi); and

Section 9.1(b) (Approval of Certain Business Combinations).

Corporate Opportunities; Fiduciary Duties of Activision Blizzard Directors

Corporate Opportunities

Neither Vivendi nor any of Vivendi's controlled affiliates will be under an obligation to refrain from engaging in the same or similar activities or lines of business as Activision Blizzard other than businesses conducted by Blizzard Entertainment and Sierra immediately prior to the closing; provided, however, that the businesses conducted by Vivendi and its controlled affiliates as of the closing date will not be considered a competing business. In addition, neither Vivendi nor any of its officers or directors will be liable to Activision Blizzard or Activision Blizzard's stockholders for breach of any fiduciary duty by reason of any such activities. In the event that Vivendi acquires knowledge of a potential corporate opportunity for both Vivendi and Activision Blizzard, Vivendi will have no duty to communicate or offer the corporate opportunity to Activision Blizzard and will not be liable to Activision Blizzard or Activision Blizzard's stockholders for breach of any fiduciary duty as a stockholder of Activision Blizzard by reason of the fact that Vivendi acquires or seeks the corporate opportunity for itself, directs the corporate opportunity to another person or entity, or otherwise does not communicate information regarding the corporate opportunity to Activision Blizzard.

Fiduciary Duties of Directors

If a director or officer of Activision Blizzard who is also a director or officer of Vivendi acts in a manner consistent with the following policy with respect to the allocation of a potential corporate opportunity for both Activision Blizzard and Vivendi about which such director acquires knowledge, he or she will have fully satisfied and fulfilled his or her fiduciary duty to Activision Blizzard and Activision Blizzard's stockholders with respect to the corporate opportunity. A corporate opportunity for both Activision Blizzard and Vivendi offered to any person who is an officer or director of Activision Blizzard and who is also an officer, director or employee of Vivendi, will belong to Vivendi unless such corporate opportunity was expressly offered to such person in his or her capacity as a director or officer of Activision Blizzard.

Purchase of Activision Blizzard Stock by Vivendi

In the event that the Vivendi Voting Interest equals or exceeds 90%, either Vivendi or Activision Blizzard will, within sixty (60) days following the date upon which the Vivendi Voting Interest first equals or exceeds 90%, commence a tender offer to acquire all shares of Activision Blizzard common stock not owned by Vivendi as of such date at a price not less than the volume-weighted average closing price per share of Activision Blizzard common stock, as reported on NASDAQ (or, if applicable, such other national securities exchange on which Activision Blizzard's common stock is listed), as reported by Bloomberg, L.P., for the twenty (20) consecutive trading days immediately preceding (but not including) the trading day immediately preceding the date upon which the Vivendi Voting Interest first equals or exceeds 90%.

At any time on or before the date upon which the Vivendi Voting Interest first equals or exceeds 90%, Vivendi may (but is not obligated to) cause Activision Blizzard to effect a merger or other business combination pursuant to which the holders of shares of Activision Blizzard common stock not owned by Vivendi as of such date will receive, in exchange for their shares, an amount equal to a price not less than the volume-weighted average closing price per share of Activision Blizzard common stock, as reported on NASDAQ (or, if applicable, such other national securities exchange on which Activision Blizzard's common stock is listed), as reported by Bloomberg, L.P., for the twenty (20) consecutive trading days immediately preceding (but not including) the trading day immediately preceding the date upon which the Vivendi Voting Interest first equals or exceeds 90%.

Additionally, Vivendi and its affiliates are prohibited from participating in any share repurchase program initiated by Activision Blizzard and from making purchases in the open market while any such share repurchase program is operative.

Affiliate Transactions

Any transaction or agreement between Activision Blizzard or any of its subsidiaries, and Vivendi or any of its controlled affiliates (other than Activision Blizzard and its subsidiaries) must be approved by a majority of the board of directors and a majority of the independent directors. Unless the Vivendi Voting Interest (a) equals or exceeds 90% or (b) is less than 35%, any merger, business combination or similar transaction involving Activision Blizzard or any of its subsidiaries, on the one hand, and Vivendi or Vivendi's directly or indirectly controlled affiliates, on the other, must be approved, in addition to any approval required pursuant to the DGCL and/or the post-closing bylaws, by the affirmative vote of a majority in interest of the stockholders of Activision Blizzard, other than Vivendi or Vivendi's directly or indirectly controlled affiliates, that are present and entitled to vote at a stockholders' meeting called for such purpose.

Additionally, no contract, agreement, arrangement or transaction between Activision Blizzard, on the one hand, and Vivendi or Vivendi's directly or indirectly controlled affiliates, on the other, shall be void or voidable solely for the reason that Vivendi or Vivendi's directly or indirectly controlled affiliates is a party thereto.

To the fullest extent permitted by law, neither Vivendi, its controlled affiliates, nor any of their respective officers or directors thereof shall be liable to Activision Blizzard or its stockholders for breach of any fiduciary duty or duty of loyalty or failure to act in (or not opposed to) the best interests of Activision Blizzard or the derivation of any improper personal benefit by reason of the fact that Vivendi, its controlled affiliates or an officer or director thereof in good faith takes any action or exercises any rights or gives or withholds any consent in connection with any agreement or contract between Vivendi and its controlled affiliates, on the one hand, and Activision Blizzard, on the other hand. No vote cast or other action taken by any person who is an officer, director or other representative of Vivendi, which vote is cast or action is taken by such person in his capacity as a director of Activision Blizzard, shall constitute an action of or the exercise of a right by or a consent of Vivendi for the purpose of any such agreement or contract.

THE PROPOSALS

PROPOSAL NO. 1

The Issuance of Shares Under the Business Combination Agreement

Under the terms of the business combination agreement, Activision will issue an aggregate of approximately 358.2 million new shares of Activision common stock. At the effective time of the merger, each share of Vivendi Games common stock outstanding immediately before the merger will be converted into the right to receive 369,136.36364 shares of Activision common stock, which will result in the issuance of an aggregate of approximately 295.3 million newly issued shares of Activision common stock to VGAC, the sole stockholder of Vivendi Games. Concurrently with the merger, Vivendi will purchase from Activision approximately 62.9 million newly issued shares of Activision common stock for an aggregate purchase price of approximately \$1.731 billion in cash. Immediately following completion of the merger and the share purchase, Vivendi and its subsidiaries are expected to own approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis.

Under NASDAQ Marketplace Rule 4350(i), a company listed on NASDAQ is required to obtain stockholder approval prior to the issuance of common stock, among other things, (a) if the issuance will result in a change of control of the company, or (b) in connection with the acquisition of another company's stock, if the number of shares of common stock to be issued is in excess of 20% of the number of shares of common stock then outstanding. The 358.2 million newly issued shares of Activision common stock to be issued in the transaction exceed the 20% threshold under the NASDAQ Marketplace Rules and are expected to represent approximately 52.2% of the issued and outstanding shares of the combined company's common stock on a fully diluted basis. Accordingly, in order to ensure compliance with NASDAQ Marketplace Rule 4350(i), Activision must obtain the approval of Activision stockholders for the issuance of these securities in the transaction.

Vote Required and Board of Directors Recommendation

Approval of the share issuance proposal requires the affirmative vote of the holders of a majority of the votes cast affirmatively or negatively on the proposal. Given that the vote that is required to approve this proposal is based upon the number of shares actually voted, a stockholder's failure to vote on the share issuance proposal will have no effect on the outcome of the vote for the proposal. Similarly, abstentions with respect to this proposal and broker non-votes will not affect the outcome of the vote, because they will be counted in determining the presence of a quorum but they will not be considered to be voted for purposes of the share issuance proposal.

Our board of directors has unanimously approved the issuance of shares of our common stock in connection with the transaction and recommends a vote "FOR" the share issuance proposal.

For a more detailed description of the business combination agreement and the transaction, see the section entitled "The Business Combination Agreement." See also Annex A to this proxy statement.

PROPOSAL NO. 2

The Amendment and Restatement of Activision's Amended and Restated Certificate of Incorporation, as Amended

In connection with the transaction, Activision and Vivendi have agreed that Activision would amend and restate its certificate of incorporation and bylaws to implement a number of governance and other changes. See the section entitled "Corporate Governance of Activision Blizzard" of this proxy statement. A copy of the proposed post-closing certificate of incorporation is attached as Annex B to this proxy statement and is incorporated by reference into this proxy statement.

At the special meeting, you will be asked to consider and vote on a proposal to approve the post-closing certificate of incorporation. In order to comply with applicable rules of the SEC relating to proxy statements, we are also presenting Sub-Proposals Nos. 2A through 2L to Activision stockholders as separate proposals for approval. As a matter of state law, only the approval of the post-closing certificate of incorporation, as a whole, is required. **Because we are required to present the sub-proposals separately and because all of the revisions to Activision's amended and restated certificate of incorporation that are reflected in the post-closing certificate of incorporation are considered by Activision and Vivendi to be integral parts of the overall transaction, the approval of Proposal No. 2 and each of the Sub-Proposals 2A through 2L is a condition to completion of the transaction. Accordingly, a vote against Proposal No. 2 or any of the related Sub-Proposal Nos. 2A through 2L is effectively a vote against the transaction.**

The following is a summary of selected provisions of the post-closing certificate of incorporation. We believe that this description covers the material terms of the post-closing certificate of incorporation, which differ materially from Activision's current certificate of incorporation. However, the description may not contain all of the information that is important to you and is qualified in its entirety by reference to the complete text of the post-closing certificate of incorporation. In conjunction with this summary description, we encourage you to read the post-closing certificate of incorporation carefully and in its entirety.

Sub-Proposal No. 2A: Proposal to change the combined company's name from "Activision, Inc." to "Activision Blizzard, Inc."

The parties to the business combination agreement have agreed that the name of the combined company should reflect its leading product lines and therefore propose to change the combined company's corporate name from "Activision, Inc." to "Activision Blizzard, Inc."

Sub-Proposal No. 2B: Proposal to increase the number of shares of authorized capital stock.

Activision's current certificate of incorporation authorizes the issuance of up to four hundred fifty-five million (455,000,000) shares of capital stock, consisting of (a) four hundred fifty million (450,000,000) shares of Activision common stock, par value \$0.000001 per share, and (b) five million (5,000,000) shares of preferred stock, par value \$0.000001 per share, two million (2,000,000) of which are designated Series A Junior Preferred Stock, par value \$0.000001 per share. On the record date for the Activision special meeting, Activision had outstanding _____ shares of Activision common stock and no shares of preferred stock or Series A Junior Preferred Stock.

In the transaction, Activision expects to issue an aggregate of approximately 358.2 million additional shares of Activision common stock. Activision expects to issue approximately 295.3 million additional shares of common stock to VGAC in connection with the merger. Concurrently with the merger, Activision expects to issue approximately 62.9 million additional shares of common stock to Vivendi in connection with the share purchase.

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Activision is proposing to increase the number of authorized shares of capital stock to give it sufficient authorized shares to complete the transaction and the subsequent tender offer. The increased share authorization will also provide greater flexibility in the capital structure of the combined company by allowing it to raise capital that may be necessary to further develop its business, to fund potential acquisitions, to have shares available for use in connection with stock plans and to pursue other corporate purposes that may be identified by the combined company's board of directors.

To that end, Activision is proposing to increase the number of authorized shares of capital stock from four hundred fifty-five million (455,000,000) to one billion two hundred five million (1,205,000,000), of which one billion two hundred million (1,200,000,000) shares will be designated common stock, par value \$.000001 per share, and five million (5,000,000) shares will be designated preferred stock, par value \$.000001 per share.

Sub-Proposal No. 2C: Proposal to eliminate the Series A Junior Preferred Stock.

Activision's current certificate of incorporation designates one series of preferred stock, the Series A Junior Preferred Stock, and includes certain provisions relating to the powers, rights and privileges of the Series A Junior Preferred Stock. On the record date for the Activision special meeting, Activision had no outstanding shares of Series A Junior Preferred Stock. Therefore, it is proposed that the post-closing certificate of incorporation eliminate the Series A Junior Preferred Stock.

Sub-Proposal No. 2D: Proposal to include certain quorum requirements for committees of the board of directors under certain circumstances.

It is proposed that the post-closing certificate of incorporation include a provision establishing specific quorum requirements for committees of the Activision Blizzard board of directors. In particular, it is proposed to provide that, prior to the first occurrence of a Triggering Event, a quorum for any regular or special meeting of a committee of the Activision Blizzard board of directors (other than the special nominating committees and the audit committee), will require the presence, in person, of a majority of the directors appointed to such committee including at least one independent director. However, if a quorum is not obtained at such committee meeting because no independent director is present, then, for purposes of the next duly called and noticed committee meeting, a quorum will require the presence, in person, of a majority of the directors appointed to such committee.

Sub-Proposal No. 2E: Proposal to require supermajority stockholder approval to amend certain sections of the certificate of incorporation.

It is proposed that amendments to certain sections of the post-closing certificate of incorporation will require supermajority stockholder approval. In particular, it is proposed that:

The affirmative vote of the holders of Activision Blizzard's capital stock representing more than 66²/₃% of the shares entitled to be voted will be required to amend:

Section 5.3(a)(i) (Amendment of Bylaw Provisions Protecting All Stockholders);

Section 5.3(a)(ii) (Amendment of Bylaw Provision Protecting Vivendi Stockholder's Right to Proportionate Representation);

Section 5.3(c) (Amendment of Bylaws by Stockholders); and

Articles VIII (Corporate Opportunities) and IX (Affiliate Transactions), subject to the requirements specified below for the amendment of Sections 8.2, 8.3, 8.5 and 9.1(b).

Section 5.1(b) (Quorum Requirements for Committees) and Section 5.3(a)(iii) (Amendment of Certain Bylaw Provisions Protecting Vivendi) may only be amended as follows: (a) prior to the first occurrence of a Triggering Event, by the affirmative vote of (x) the holders of at least a

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majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, and (y) the holders of at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and its controlled affiliates; and (b) after the first occurrence of a Triggering Event, by the affirmative vote of the holders of more than 66²/₃% of the voting power of the outstanding shares of the Activision Blizzard's capital stock entitled to vote thereon.

The affirmative vote of (a) the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, and (b) the holders of at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of capital stock owned by Vivendi and Vivendi's controlled affiliates will be required to amend:

Sections 5.3(a)(iv), 5.3(a)(v) and 5.3(b) (Amendment of Certain Bylaw Provisions Protecting Minority Stockholders);

Section 8.2 (Business Activities);

Section 8.3 (Corporate Opportunities);

Section 8.5 (Purchase of Company Stock by Vivendi); and

Section 9.1(b) (Approval of Certain Business Combinations).

Sub-Proposal No. 2F: Proposal to limit the power of the board of directors to amend certain provisions of the bylaws without stockholder approval.

It is proposed that the post-closing certificate of incorporation will provide that, subject to the exceptions specified below, amendments to the post-closing bylaws may be made by either (a) the affirmative vote of the holders of at least a majority of the voting power of the then outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, or (b) the Activision Blizzard board of directors at any regular or special meeting without the vote of Activision Blizzard's stockholders.

It is proposed that the post-closing certificate of incorporation will provide for the following exceptions:

The affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon will be required to amend post-closing bylaw provisions that protect the stockholders of Activision Blizzard, including:

Section 2.4 (Special Meetings of Stockholders);

Section 2.6(a) (Quorum Requirements for Meetings of Stockholders);

Section 2.14 (Notice of Stockholder Business and Nominations); and

Section 8.4 (Amendment of Bylaws) as it relates to the aforementioned sections.

The affirmative vote of the holders of more than 66²/₃% of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon will be required to amend Section 3.3 (Vivendi Stockholder's Right to Proportionate Representation); and Section 8.4 (Amendment of Bylaws) as it relates to the aforementioned section.

Certain post-closing bylaw provisions protecting Vivendi in its capacity as an Activision Blizzard stockholder may only be amended as follows: (a) prior to the first occurrence of a Triggering Event, by the affirmative vote of (x) the holders of at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon, and (y) the holders of at least a majority of the outstanding shares of Activision Blizzard's capital stock

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other than shares of capital stock owned by Vivendi and its controlled affiliated; and (b) after the first occurrence of a Triggering Event, by the affirmative vote of the holders of more than 66²/₃% of the voting power of the outstanding shares of Activision Blizzard's capital stock entitled to vote thereon. These provisions include:

Section 3.2(b) (Composition of Activision Blizzard Board of Directors);

Section 3.4(b) (Vacancies on Activision Blizzard Board of Directors);

Section 3.6 (Quorum and Action Requirements for Activision Blizzard Board of Directors);

Section 3.10(c) (Creation of Special Nominating Committees);

Section 3.10(d) (Composition of Activision Blizzard Board Committees);

Section 3.10(f) (Quorum Requirements for Activision Blizzard Board Committees); and

Section 8.4 (Amendment of Bylaws) as it relates to the aforementioned sections.

The affirmative vote of the holders of (a) at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock, and (b) at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and Vivendi's controlled affiliates will be required to amend:

Section 2.3 (Purposes of Annual Meeting; Election of Directors); and

Section 8.4 (Amendment of Bylaws) as it relates to the aforementioned section.

Prior to the fifth anniversary of the closing date, Section 3.12 (Approval of Certain Matters by Activision Blizzard Board of Directors), Section 4.3 (Chief Executive Officer) and Section 8.4 (Amendment of Bylaws) (as it relates to the foregoing sections) may only be amended by either:

the separate affirmative vote of (a) a majority of the votes present or otherwise able to be cast (giving effect to the voting rights of the non-employee Vivendi designees), and (b) at least a majority of the independent directors; or

the separate affirmative vote of the holders of (a) at least a majority of the voting power of the outstanding shares of Activision Blizzard's capital stock, and (b) at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and Vivendi's controlled affiliates.

In addition to any vote required by law, the separate affirmative vote of the holders of (a) at least a majority of the shares of Activision Blizzard's capital stock, and (b) at least a majority of the outstanding shares of Activision Blizzard's capital stock other than shares of Activision Blizzard's capital stock owned by Vivendi and Vivendi's controlled affiliates will be required to amend:

Section 3.3(b) as to decrease the percentages in the definitions of "Triggering Event" and "Termination Event" set forth therein, or

any of the post-closing bylaws in a manner that would be beneficial to Vivendi and Vivendi's controlled affiliates in their capacities as stockholders, other than amendments that affect the rights of all stockholders in the same manner.

Sub-Proposal No. 2G: Proposal to grant the directors designated by Vivendi certain voting powers when other Vivendi designees are not present at board or committee meetings.

It is proposed that the post-closing certificate of incorporation include a provision to the effect that, prior to the first occurrence of a Triggering Event, at each meeting of the Activision Blizzard board of directors or any committee thereof (other than the special nominating committees and the audit committee), each of the Vivendi designees who is not an employee of Activision Blizzard or any of Activision Blizzard's subsidiaries and who is present at the meeting will be entitled to cast a number of votes equal the quotient of (a) the sum of (x) the total number of Vivendi designees who are not employees of Activision Blizzard or any of Activision Blizzard's subsidiaries and who serve on the Activision Blizzard board of directors or the relevant committee that are not present at such meeting *plus* (y) the total number of Vivendi designees (other than Vivendi designees who are not employees of Activision Blizzard or any of Activision Blizzard's subsidiaries) on the Activision Blizzard board of directors or relevant committee that are not present at such meeting, divided by (b) the total number of Vivendi designees who are not employees of Activision Blizzard or any of Activision Blizzard's subsidiaries and who are present at such meeting.

Sub-Proposal No. 2H: Proposal to include limitations on certain business activities in which Vivendi may, directly or indirectly, engage or participate.

It is proposed to include a provision in the post-closing certificate of incorporation to the effect that neither Vivendi nor any of its controlled affiliates is under an obligation to refrain from engaging in the same or similar activities or lines of business as Activision Blizzard other than businesses conducted by Blizzard Entertainment and Sierra immediately prior to the closing; provided, however, that the businesses conducted by Vivendi and its controlled affiliates as of the closing date will not be considered a competing business. Neither Vivendi nor any of its officers or directors will be liable to Activision Blizzard or its stockholders for breach of any fiduciary duty by reason of any such activities.

Sub-Proposal No. 2I: Proposal to establish procedures allocating certain corporate opportunities between Activision Blizzard and Vivendi.

It is proposed that the post-closing certificate of incorporation provide that, in the event that Vivendi acquires knowledge of a potential corporate opportunity for both Vivendi and Activision Blizzard, Vivendi will have no duty to communicate or offer the corporate opportunity to Activision Blizzard and will not be liable to Activision Blizzard or Activision Blizzard's stockholders for breach of any fiduciary duty as a stockholder of Activision Blizzard by reason of the fact that Vivendi acquires or seeks the corporate opportunity for itself, directs the corporate opportunity to another person or entity, or otherwise does not communicate information regarding the corporate opportunity to Activision Blizzard.

In addition, it is proposed that the post-closing certificate of incorporation provide that, if a director or officer of Activision Blizzard who is also a director or officer of Vivendi, acts in a manner consistent with the following policy with respect to the allocation of a potential corporate opportunity for both Activision Blizzard and Vivendi about which such director acquires knowledge, he or she will have fully satisfied and fulfilled his or her fiduciary duty to Activision Blizzard and Activision Blizzard's stockholders with respect to the corporate opportunity. A corporate opportunity for both Activision Blizzard and Vivendi offered to any person who is an officer or director of Activision Blizzard and who is also an officer, director or employee of Vivendi, will belong to Vivendi unless such corporate opportunity was expressly offered to such person in his or her capacity as a director or officer of Activision Blizzard.

Sub-Proposal No. 2J: Proposal to require Vivendi or Activision Blizzard to purchase all of the combined company's issued and outstanding shares of Activision Blizzard common stock if and when Vivendi becomes the record owner of more than 90% of the issued and outstanding shares of Activision Blizzard common stock.

It is proposed to include a provision in the post-closing certificate of incorporation that will require Vivendi to purchase all of the issued and outstanding shares of Activision Blizzard common stock under certain specified circumstances. The proposed provision would provide that, in the event that the Vivendi Voting Interest equals or exceeds 90%, either Vivendi or Activision Blizzard will, within sixty (60) days following the date upon which the Vivendi Voting Interest first equals or exceeds 90%, commence a tender offer to acquire all shares of Activision Blizzard common stock not owned by Vivendi as of such date at a price not less than the volume-weighted average closing price per share of Activision Blizzard common stock, as reported on NASDAQ (or, if applicable, such other national securities exchange on which Activision Blizzard's common stock is listed), as reported by Bloomberg, L.P., for the twenty (20) consecutive trading days immediately preceding (but not including) the trading day immediately preceding the date upon which the Vivendi Voting Interest first equals or exceeds 90%.

In addition, the proposed provision would provide that, at any time on or before the date upon which the Vivendi Voting Interest first equals or exceeds 90%, Vivendi may (but is not obligated to) cause Activision Blizzard to effect a merger or other business combination pursuant to which the holders of the shares of Activision Blizzard common stock not owned by Vivendi as of such date will receive, in exchange for each of their shares, an amount equal to a price not less than the volume-weighted average closing price per share of Activision Blizzard common stock, as reported on NASDAQ (or, if applicable, such other national securities exchange on which Activision Blizzard's common stock is listed), as reported by Bloomberg, L.P., for the twenty (20) consecutive trading days immediately preceding (but not including) the trading day immediately preceding the date upon which the Vivendi Voting Interest first equals or exceeds 90%.

Sub-Proposal No. 2K: Proposal to approve a provision regarding affiliate transactions.

It is proposed that the post-closing certificate of incorporation include a provision stipulating that, unless the Vivendi Voting Interest (a) equals or exceeds 90% or (b) is less than 35%, any merger, business combination or similar transaction involving Activision Blizzard or any of its subsidiaries, on the one hand, and Vivendi or Vivendi's directly or indirectly controlled affiliates, on the other, must be approved, in addition to any approval required pursuant to the DGCL and/or the post-closing bylaws, by the affirmative vote of a majority in interest of the stockholders of Activision Blizzard, other than Vivendi or Vivendi's directly or indirectly controlled affiliates, that are present and entitled to vote at a stockholders' meeting called for such purpose.

Sub-Proposal No. 2L: Proposal to cause Activision Blizzard to be governed by Section 203 of the DGCL, a statute which restricts business combinations between corporations and their significant stockholders.

Activision's current certificate of incorporation contains a provision expressly electing that Activision not be governed by Section 203 of the DGCL. Section 203 of the DGCL generally provides that any person who acquires 15% or more of a corporation's voting stock (thereby becoming an "interested stockholder") may not engage in a wide range of business combinations with the

corporation for a period of three years following the date the person became an interested stockholder, unless:

the board of directors of the corporation has approved, prior to that acquisition date, either the business combination or the transaction that resulted in the person becoming an interested stockholder;

upon consummation of the transaction that resulted in the person becoming an interested stockholder, that person owns at least 85% of the corporation's voting stock outstanding at the time the transaction commenced (excluding shares owned by persons who are directors and also officers and shares owned by employee stock plans in which participants do not have the right to determine confidentially whether shares will be tendered in a tender or exchange offer), or

the business combination is approved by the board of directors and authorized by the affirmative vote (at an annual or special meeting and not by written consent) of at least 66²/₃% of the outstanding voting stock not owned by the interested stockholder.

It is proposed that neither the post-closing certificate of incorporation nor the post-closing bylaws contain a provision pursuant to which Activision Blizzard will opt out of Section 203 of the DGCL. Accordingly, Activision Blizzard will be governed by Section 203 of the DGCL.

Vote Required and Board of Directors Recommendation

In accordance with Section 242 of the DGCL, approval of Proposal No. 2 and each of the subproposals 2A through 2L require the affirmative vote of the holders of a majority of the outstanding shares of Activision common stock entitled to vote on the proposal at the special meeting.

The Activision board of directors has unanimously approved the amendment and restatement of Activision's certificate of incorporation and recommends a vote "FOR" Proposal No. 2, including each of the Sub-Proposals 2A through 2L.

PROPOSAL NO. 3

**The Amendment of Section 7.4(a) of Activision's
Third Amended and Restated Bylaws**

Activision's current bylaws provide that Section 7.4(a) may only be amended by the vote of a majority in interest of Activision stockholders represented and entitled to vote at any meeting at which a quorum is present.

Activision is proposing to amend Section 7.4(a) of its third amended and restated bylaws to read in its entirety as follows:

"Amendment of By-Laws. The by-laws of the Corporation may be altered, amended or repealed or new by-laws may be made or adopted by the Board of Directors at any regular or special meeting of the Board; *provided, however,* that Sections 2.3, 2.4, 2.6(a), 2.14, 3.2(b), 3.3, 3.4(b), 3.6, 3.10(c), 3.10(d), 3.10(f), 3.12, 4.3 and Section 8.4 of these by-laws may be altered, amended or repealed only as provided in the Certificate of Incorporation."

Vote Required and Board of Directors Recommendation

The affirmative vote of the holders of a majority of the outstanding shares of Activision common stock entitled to vote is required to approve Proposal No. 3.

The Activision board of directors unanimously recommends a vote "FOR" the bylaw amendment proposal.

PROPOSAL NO. 4

Adjournment of the Special Meeting

In the event that the number of shares of Activision common stock present in person or represented by proxy at the special meeting is insufficient to approve the share issuance proposal, the charter amendment proposal and the bylaw amendment proposal, Activision may move to adjourn or postpone the special meeting in order to enable the Activision board of directors to solicit additional proxies in favor of the approval of the share issuance proposal, the charter amendment proposal and the bylaw amendment proposal. In that event, Activision will ask its stockholders to vote only upon the adjournment proposal and not on the other proposals discussed in this proxy statement.

Vote Required and Board of Directors Recommendation

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the votes cast affirmatively or negatively on the proposal.

The Activision board of directors unanimously recommends a vote "FOR" the adjournment proposal.

OTHER MATTERS TO COME BEFORE THE MEETING

No other matters are intended to be brought before the special meeting by Activision, and Activision does not know of any matters to be brought before the special meeting by others. If, however, any other matters properly come before the meeting, the persons named in the proxy will vote the shares represented thereby in accordance with the judgment of management on any such matter.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2008 and for the year ended December 31, 2007 give effect to the transaction as if it was consummated on January 1, 2007 and include all adjustments which give effect to events that are directly attributable to the transaction, expected to have a continuing impact, and that are factually supportable. The unaudited pro forma condensed combined balance sheet as of March 31, 2008 gives effect to the transaction as if it had been consummated on March 31, 2008 and includes all adjustments which give effect to events that are directly attributable to the transaction and that are factually supportable. The notes to the pro forma financial information describe the pro forma amounts and adjustments presented below.

The pro forma adjustments reflecting the consummation of the transaction are based upon the purchase method of accounting in accordance with U.S. GAAP, and upon the assumptions set forth in the notes herein. The unaudited pro forma condensed combined balance sheet has been adjusted to reflect the preliminary allocation of the estimated purchase price to identifiable net assets acquired and the excess purchase price to goodwill. The allocation of the purchase price is preliminary and is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. In addition, the estimated purchase price itself is preliminary and will be adjusted based upon the Activision share price on the date of closing. Accordingly, the final purchase accounting adjustments may be materially different from the preliminary pro forma adjustments presented herein. This unaudited pro forma condensed combined financial information should be read in conjunction with the financial information appearing under "Selected Historical Financial Data of Activision" and "Selected Historical Financial Data of Vivendi Games" and the historical financial statements of Activision and Vivendi Games included elsewhere in this proxy statement.

No additional pro forma adjustments have been made to reflect the repurchase of 146.5 million shares of Activision Blizzard common stock at \$27.50 per share, representing the maximum amount of shares to be purchased under the cash tender offer commencing within five (5) business days after the closing of the transaction, because the Activision common stock price exceeds the tender offer price as of the date of this proxy statement. As of May 30, 2008 the closing price of Activision common stock was \$33.75. It is expected that the level of participation in the tender offer may be limited to the extent that the Activision Blizzard stock trades significantly above the \$27.50 tender offer price throughout the tender offer period. To the extent that Activision's stockholders participate in the tender offer, the tender offer will be funded with (according to the terms of the business combination agreement): (a) Activision's available cash on hand including \$1.731 billion in proceeds from the sale of 62.9 million shares to Vivendi, short term investments (excluding restricted cash) and borrowings made under the new credit facilities from Vivendi for the first \$2.928 billion of the aggregate tender, (b) proceeds from the issuance of additional shares to Vivendi for \$700 million, and (c) additional borrowings under such credit facilities from Vivendi.

The pro forma adjustments do not reflect any operating efficiencies or inefficiencies which may result from the transaction. Therefore, the unaudited pro forma condensed combined financial information is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented or the results that Activision Blizzard will experience after the transaction is consummated. In addition, the preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are preliminary and have been made solely for purposes of developing this pro forma information. Actual results could differ, perhaps materially, from these estimates and assumptions.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Three Months Ended March 31, 2008

	Vivendi Games	Activision	Pro Forma Adjustments	Pro Forma Activision Blizzard	Other Adjustments See note (w)	Adjusted Pro Forma Activision Blizzard
(in thousands, except per share data)						
Revenues:						
Product sales	\$ 69,320	\$ 602,451	\$	\$ 671,771	\$	\$ 671,771
Subscription and licensing revenues	253,734			253,734		253,734
Net revenues	323,054	602,451		925,505		925,505
Costs and expenses:						
Cost of sales	93,736	350,229	(294)a	443,671		443,671
Product development	102,716	79,052	(2,177)b	179,591		179,591
Sales and marketing	27,278	67,473	(89)c	94,662		94,662
General and administrative	19,993	51,164	(9,051)d	62,106		62,106
Depreciation and amortization	16,046		80,579 e	96,625		96,625
Total costs and expenses	259,769	547,918	68,968	876,655		876,655
Operating income (loss)	63,285	54,533	(68,968)	48,850		48,850
Other income (expenses), net	847	15,542	(319)f	16,070		16,070
Income (loss) before income tax provision	64,132	70,075	(69,287)	64,920		64,920
Income tax provision (benefit)	21,884	25,912	(27,091)g	20,705		20,705
Net income (loss)	\$ 42,248	\$ 44,163	\$ (42,196)	\$ 44,215	\$	\$ 44,215
Net income per share:						
Basic	N/A h	\$ 0.15		\$ 0.07 j		\$ 0.07 j
Diluted	N/A h	\$ 0.14		\$ 0.07 j		\$ 0.07 j
Weighted average number of common shares outstanding:						
Basic	N/A h	293,764	358,254 i	652,018		652,018
Diluted	N/A h	318,784	358,254 i	677,038		677,038

See notes to unaudited pro forma condensed combined financial statements

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2007

	<u>Vivendi Games</u>	<u>Activision</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Activision Blizzard</u>	<u>Other Adjustments See note (w)</u>	<u>Adjusted Pro Forma Activision Blizzard</u>
	(in thousands, except per share data)					
Revenue:						
Product sales	\$ 549,391	\$ 2,898,136	\$	\$ 3,447,527	\$	\$ 3,444,527
Subscription and licensing revenues	846,027			846,027		846,027
Net revenues	1,395,418	2,898,136		4,293,554		4,293,554
Costs and expenses:						
Cost of sales	398,025	1,645,435	12,390 a	2,055,850		2,055,850
Product development	384,806	269,535	15,231 b	669,572		669,572
Sales and marketing	175,582	308,143	8,716 c	492,441		492,441
General and administrative	153,851	195,409	(6,463)d	342,797		342,797
Depreciation and amortization	62,733		446,635 e	509,368		509,368
Total costs and expenses	1,174,997	2,418,522	476,509	4,070,028		4,070,028
Operating income	220,421	479,614	(476,509)	223,526		223,526
Other income (expenses), net	(5,076)	51,254	(1,277)f	44,901		44,901
Income before income tax provision (benefit)	215,345	530,868	(477,786)	268,427		266,427
Income tax provision (benefit)	(36,353)	185,985	(186,814)g	(37,182)		(37,182)
Net income	\$ 251,698	\$ 344,883	\$ (290,972)	\$ 305,609	\$	\$ 305,609
Net income per share:						
Basic	N/A h	\$ 1.19		\$ 0.47 j		\$ 0.47 j
Diluted	N/A h	\$ 1.10		\$ 0.45 j		\$ 0.45 j
Weighted average number of common shares outstanding:						
Basic	N/A h	288,957	358,254 i	647,211		647,211
Diluted	N/A h	314,731	358,254 i	672,985		672,985

See notes to unaudited pro forma condensed combined financial statements

Unaudited Pro Forma Condensed Combined Balance Sheet

March 31, 2008

	Vivendi Games	Activision	Pro Forma Adjustments	Pro Forma Activision Blizzard	Other Adjustments See note (w)	Adjusted Pro Forma Activision Blizzard
(in thousands)						
Assets						
Current assets:						
Cash and cash equivalents	\$ 47,354	\$ 1,396,250	\$ 1,625,008	k \$ 3,068,612	\$	\$ 3,068,612
Short term investments		52,962		52,962		52,962
Accounts receivable, net	102,669	203,420	(53,348)	n 252,741		252,741
Inventory	20,075	146,874	14,826	1 181,775		181,775
Deferred income taxes	126,243	41,242	(44,128)	m 123,357		123,357
Other current assets	46,212	138,647	108,057	1 292,916		292,916
Total current assets	342,553	1,979,395	1,650,415	3,972,363		3,972,363
Long term investments		91,215		91,215		91,215
Property and equipment, net	121,561	54,528		176,089		176,089
Deferred income taxes	26,768	32,825	(59,593)	o		
Other assets	116,101	93,549	1,709,706	1 1,919,356		1,919,356
Goodwill	207,262	279,161	7,791,210	1 8,277,633		8,277,633
Total assets	\$ 814,245	\$ 2,530,673	\$ 11,091,738	\$ 14,436,656	\$	\$ 14,436,656
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable	\$ 30,805	\$ 129,896	\$	\$ 160,701	\$	\$ 160,701
Accrued expenses and others	474,820	426,175	(72,803)	n 828,192		828,192
Total current liabilities	505,625	556,071	(72,803)	988,893		988,893
Deferred income taxes			608,902	o 608,902		608,902
Long term debt			33,259	f 33,259		33,259
Other liabilities	83,080	26,710	(23,133)	p 86,657		86,657
Total liabilities	588,705	582,781	546,225	1,717,711		1,717,711
Shareholders' equity:						
Common stock			1	q 1		1
Additional paid-in capital	487,436	1,148,880	11,341,146	q 12,977,462		12,977,462
(Accumulated deficit) retained earnings	(300,344)	772,660	(773,537)	r (301,221)		(301,221)
Accumulated other comprehensive income	42,703	26,352	(26,352)	s 42,703		42,703
Net receivable from affiliates	(4,255)		4,255	k		
Total shareholders' equity	225,540	1,947,892	10,545,513	12,718,945		12,718,945
Total liabilities and shareholders' equity	\$ 814,245	\$ 2,530,673	\$ 11,091,738	\$ 14,436,656	\$	\$ 14,436,656

Vivendi Games	Activision	Pro Forma Adjustments	Pro Forma Activision Blizzard	Other Adjustments See note (w)	Adjusted Pro Forma Activision Blizzard
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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See notes to unaudited pro forma condensed combined financial statements

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1: Basis of Pro Forma Presentation

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2007 combines the twelve months ended March 31, 2008 for Activision with the twelve months ended December 31, 2007 for Vivendi Games. The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2008 combines the three months ended March 31, 2008 for Activision with the three months ended March 31, 2008 for Vivendi Games. Therefore, Activision's consolidated statement of operations for the period January 1, 2008 to March 31, 2008 has been presented in both the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2008, and the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2007. In addition, the accompanying unaudited pro forma condensed combined balance sheet combines the consolidated balance sheet of Activision as of March 31, 2008 with the consolidated balance sheet of Vivendi Games as of March 31, 2008.

Under the terms of the business combination agreement, Activision and Vivendi Games will combine their businesses through the merger of a newly formed, wholly-owned subsidiary of Activision with and into Vivendi Games. In the transaction, shares of Vivendi Games will be converted into 295.3 million newly issued shares of Activision common stock which is based upon a valuation of Vivendi Games at \$8.121 billion and a per share price for Activision common stock of \$27.50. Concurrently, Vivendi will purchase 62.9 million newly issued shares of Activision common stock at a price of \$27.50 per share for a total of approximately \$1.731 billion in cash. As a result of these transactions, Vivendi will own approximately 52.2% of the issued and outstanding shares of Activision Blizzard common stock on a fully diluted basis.

Within five (5) business days after closing the transaction, Activision Blizzard has agreed to commence an approximately \$4.028 billion cash tender offer to purchase up to 146.5 million shares of Activision Blizzard common stock at \$27.50 per share, regardless of the then-current stock price. The tender offer will be funded by Activision Blizzard's cash on hand at closing, including the \$1.731 billion in cash received from the Vivendi share purchase and, if necessary, borrowings made under the new credit facilities issued by Vivendi. In addition, if the aggregate tender offer consideration exceeds \$2.928 billion, Vivendi has agreed to acquire from Activision Blizzard additional newly issued shares for up to an additional \$700 million of Activision Blizzard common stock at \$27.50 per share, the proceeds of which would also be used to fund the tender offer. Any remaining funds required to complete the tender offer up to a maximum of \$400 million will be borrowed by Activision Blizzard from Vivendi under such credit facility. If the tender offer is fully subscribed, Vivendi will own approximately 68.0% of the issued and outstanding shares of Activision Blizzard common stock on a fully diluted basis. To the extent that the Activision Blizzard stock trades significantly above the tender offer price of \$27.50 per share throughout the tender offer period, shareholder participation in the tender offer may be limited.

Overview of the accounting for the transaction

The transactions contemplated by the business combination agreement will be accounted for as a reverse acquisition under the purchase method of accounting. For this purpose, Vivendi Games will be deemed to be the accounting acquiror and Activision will be deemed to be the accounting acquiree.

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 1: Basis of Pro Forma Presentation (Continued)

The preliminary purchase price of Activision consists of the following items (in thousands):

Fair market value of Activision's outstanding common stock immediately prior to the transaction at the Assumed Closing Price(1)	\$ 9,709,000
Fair value of Activision's existing vested and unvested stock awards at the assumed closing price(2)	967,300
Vivendi Games' estimated transaction expenses	26,500
Total purchase price	\$ 10,702,800

(1)

In preparing the unaudited pro forma condensed combined financial information, a price per Activision Blizzard common stock of \$32.75 is assumed, which we refer to as the "Assumed Closing Price," which represents approximately the five day average close price of Activision's common stock as traded on the NASDAQ subsequent to Activision's May 8, 2008 earnings release. The actual closing price per share will be based upon the actual closing market price per share upon transaction close. A \$1 increase or decrease in the per share price upon close would increase or decrease, as applicable, the purchase price by approximately \$334.7 million, goodwill and equity by approximately \$337.5 million and, pro forma net income would change by approximately \$2.0 million and \$8.5 million for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively. Net income per share would change by approximately \$0.01 and \$0.02 per share for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively. If the actual closing price is \$27.50, which is the per share price of Activision common stock used in the transaction under the business combination agreement, as well as the per share price of the tender offer to repurchase the shares of Activision Blizzard common stock, it would reduce the purchase price by approximately \$1,752.0 million, and goodwill and equity by approximately \$1,766.9 million. Additionally, pro forma net income would increase by approximately \$1.2 million and \$12.4 million for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively. Net income per share would increase by approximately \$0.00 and \$0.02 per share for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively.

(2)

The fair value of the existing vested and unvested stock awards is comprised of the following (in thousands):

Fair value of Activision's existing vested stock awards	\$ 799,700
Fair value of Activision's existing unvested stock awards	384,400
Less: Unearned stock-based compensation	(216,800)
Net fair value of stock based awards	\$ 967,300

The fair value of Activision's stock awards was determined using an assumed fair value of Activision's common stock of \$32.75 per share and a binomial-lattice model with the following assumptions: (a) implied volatility of 30.67%, (b) a time varying risk free interest rate ranging from 1.84% to 5.61%, (c) an expected life ranging from

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 1: Basis of Pro Forma Presentation (Continued)

approximately 3.22 years to 4.14 years, (d) risk adjusted stock return of 8.93%, and (e) an expected dividend yield of 0.0%.

Assuming a pro forma balance sheet date of March 31, 2008, the purchase price of Activision will be allocated to the following assets and liabilities (in thousands):

Working capital, excluding inventories		\$	1,082,865
Inventories			161,700
Property and equipment			54,528
Long term investments			91,215
Other long term assets			15,055
Intangible assets:	Life		
License agreements	3 - 10 years		122,000
Developed software	Less than 1 year		200,100
Game engines	2 - 5 years		128,600
Internally developed franchises	5 - 12 years		1,202,100
Retail customer relationships	Less than 1 year		36,400
Activision trademark/trade name	Indefinite		321,900
Goodwill	Indefinite		8,070,371
Long term liabilities			(52,642)
Deferred tax liability			(638,556)
Financial instrument classified as equity(v)			(92,836)
Allocated purchase price		\$	10,702,800

The acquired finite-lived intangible assets are being amortized over the estimated useful life in proportion to the economic benefits consumed, which for some intangibles assets are approximated by using the straight-line method. The estimated future after-tax decreases to net income from the amortization of the finite-lived intangible assets are the following amounts (in thousands):

Year 1	\$	251,263
Year 2		178,323
Year 3		156,130
Year 4		104,726
Year 5		81,850

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 2: Pro Forma Adjustments

- (a) Represents the following pro forma adjustments to cost of sales (in thousands):

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
	<u> </u>	<u> </u>
Reclassification of Activision's depreciation and amortization expense(t)	\$ (491)	\$ (4,115)
Stock-based compensation adjustments due to stock option valuation(u)	197	16,505
	<u> </u>	<u> </u>
Pro forma adjustment to cost of sales	\$ (294)	\$ 12,390
	<u> </u>	<u> </u>

- (b) Represents the following pro forma adjustments to product development expense (in thousands):

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
	<u> </u>	<u> </u>
Reclassification of Activision's depreciation and amortization expense(t)	\$ (3,517)	\$ (11,440)
Stock-based compensation adjustments due to stock option valuation(u)	1,340	26,671
	<u> </u>	<u> </u>
Pro forma adjustment to product development expense	\$ (2,177)	\$ 15,231
	<u> </u>	<u> </u>

- (c) Represents the following pro forma adjustments to sales and marketing expense (in thousands):

Three Months Ended March 31, 2008	Year Ended December 31, 2007
<u> </u>	<u> </u>

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	Three Months Ended March 31, 2008	Year Ended December 31, 2007
	<u> </u>	<u> </u>
Reclassification of Activision's depreciation and amortization expense(t)	\$ (399)	\$ (1,633)
Stock-based compensation adjustments due to stock option valuation(u)	310	10,349
	<u> </u>	<u> </u>
Pro forma adjustment to sales and marketing expense	\$ (89)	\$ 8,716
	<u> </u>	<u> </u>

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NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 2: Pro Forma Adjustments (Continued)

- (d) Represents the following pro forma adjustments to general and administrative expense (in thousands):

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
	<u> </u>	<u> </u>
Reclassification of Activision's depreciation and amortization expense(t)	\$ (2,969)	\$ (16,864)
Elimination of Activision's historical transaction costs	(7,400)	(17,200)
Stock-based compensation adjustments due to stock option valuation(u)	1,318	27,601
	<u> </u>	<u> </u>
Pro forma adjustment to general and administrative expense	\$ (9,051)	\$ (6,463)
	<u> </u>	<u> </u>

- (e) Represents the following pro forma adjustments to depreciation and amortization expense (in thousands):

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
	<u> </u>	<u> </u>
Amortization expense as a result of fair value adjustments to intangible assets	\$ 73,203	\$ 412,583
Reclassification of Activision's depreciation and amortization expense(t)	7,376	34,052
	<u> </u>	<u> </u>
Pro forma adjustment to depreciation and amortization expense	\$ 80,579	\$ 446,635
	<u> </u>	<u> </u>

- (f) Represents borrowings by Activision Blizzard for settlement of net payable to Vivendi and the related interest expense. The borrowings carry a rate of interest of LIBOR plus 120 basis points. A $\frac{1}{8}\%$ change in interest rates would increase interest expense by an additional eleven thousand dollars which is six thousand dollars after tax or \$0.00 per share for the three months ended March 31, 2008. A $\frac{1}{8}\%$ change in interest rates would increase interest expense by an additional forty-two thousand dollars which is twenty-six thousand dollars after tax or \$0.00 per share for the year ended December 31, 2007.
- (g) Represents the income tax effect of the pro forma adjustments at the combined federal and state statutory rate of 39.1%.
- (h) Vivendi Games is a privately-held company. Accordingly, per share historical data for Vivendi Games is omitted.

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 2: Pro Forma Adjustments (Continued)

- (i) Represents the following pro forma adjustments to the weighted average number of shares (in thousands):

Issuance of 295.3 million newly issued shares of Activision Blizzard common stock to Vivendi for contribution of Vivendi Games to Activision	295,309
Issuance of additional 62.9 million newly issued shares of Activision Blizzard common stock to Vivendi at a price of \$27.50 per share	62,945
	<u>358,254</u>
Pro forma adjustment to weighted average number of common shares outstanding	<u>358,254</u>

- (j) Pro forma net income per share was calculated by dividing pro forma net income by the pro forma weighted average common shares outstanding as if the transaction had occurred on January 1, 2007.

- (k) Represents the following pro forma adjustments to cash and cash equivalents (in thousands except share and per share amounts):

Issuance of additional 62.9 million newly issued shares of Activision Blizzard common stock to Vivendi at a price of \$27.50 per share	\$ 1,731,000
Cash received from credit facility(f)	33,259
Cash receipt to settle net receivable from Vivendi	4,255
Less: Cash payout for Blizzard equity plan at closing	(106,897)
Less: Dividend of unrestricted cash available in excess of \$15,000 to Vivendi per business combination agreement	(36,609)
	<u>1,625,008</u>
Pro forma adjustment to cash and cash equivalents	<u>\$ 1,625,008</u>

- (l) Represents the purchase accounting entry to adjust Activision's tangible and intangible assets to fair value.

- (m) Represents the following pro forma adjustments for current deferred income taxes (in thousands):

Increase in current deferred tax asset related to increase in current liabilities	\$ 3,910
Increase in current deferred tax liability related to step up in tangible and intangible assets	(48,038)
	<u>(44,128)</u>
Pro forma adjustment to current deferred tax liabilities	<u>\$ (44,128)</u>

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 2: Pro Forma Adjustments (Continued)

(n)

Represents the following pro forma adjustments (in thousands):

Liability for bonus payout to certain members of the management upon close of the transaction	\$ 10,000
Liability assumed for Activision transaction costs incurred at closing	27,500
Less: Reclassification of Vivendi Games' reserve for customer returns and allowances from accrued liabilities to accounts receivables	(53,348)
Less: Portion of Blizzard equity plan payout included in accrued payroll and which is assumed to be paid upon the close of the transaction	(56,955)
	<u> </u>
Pro forma adjustment to accrued expenses and other liabilities	<u>\$ (72,803)</u>

(o)

Represents the following pro forma adjustments for non current deferred income taxes (in thousands):

Reclassification of non current deferred tax asset to non current deferred tax liability	\$ (59,593)
Increase in non current deferred taxes related to the step up in non current intangible asset values	668,495
	<u> </u>
Pro forma adjustment to non current deferred tax liability	<u>\$ 608,902</u>

(p)

Represents the following pro forma adjustments to other non current liabilities (in thousands):

Fair value of contingent consideration relating to a previous acquisition by Activision	\$ 25,932
Less: Portion of Blizzard equity plan payout included in non current liabilities	(49,065)
	<u> </u>
Pro forma adjustment to accrued expenses and other liabilities	<u>\$ (23,133)</u>

(q)

Represents the pro forma adjustments to common stock (\$1) and to additional paid-in capital (in thousands except share and per share amounts):

Purchase price (See Note 1)	\$ 10,702,800
Issuance of additional 62.9 million newly issued shares of Activision Blizzard common stock to Vivendi at a price of \$27.50 per share	1,730,999
Financial instrument classified as equity(v)	92,836

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Less: Elimination of Activision's historical additional paid-in capital	(1,148,880)
Less: Dividend of unrestricted cash available in excess of \$15,000 to Vivendi per business combination agreement	(36,609)
	<hr/>
Pro forma adjustment to additional paid-in capital	\$ 11,341,146
	<hr/>

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NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 2: Pro Forma Adjustments (Continued)

- (r) Represents the following pro forma adjustments to historical retained earnings (in thousands):

Elimination of Activision's historical retained earnings	\$ (772,660)
Additional expense for Blizzard equity plan payout not previously accrued	(877)
	<hr/>
Adjustment to retained earnings	\$ (773,537)
	<hr/>

- (s) Elimination of Activision's historical accumulated other comprehensive income.
- (t) Represents the reclassification of depreciation and amortization expense to conform to Vivendi Games' presentation
- (u) Represents the change in stock-based compensation expense associated with the increase in fair value of Activision's unvested stock awards at the closing date of the transaction.
- (v) Represents the fair value of contingent consideration relating to a previous acquisition by Activision which will be settled through the issuance of a fixed number of shares of Activision common stock.
- (w) No additional pro forma adjustments have been made to reflect the repurchase of Activision Blizzard common stock under the cash tender offer, because the Activision common stock price exceeds the tender offer price as of the date of this proxy statement. It is expected that the level of participation in the tender offer may be limited to the extent that the Activision Blizzard stock trades significantly above the \$27.50 tender offer price throughout the tender offer period.

If participation in the tender offer were to occur, the following sensitivity analysis has been prepared to present the estimated impact of different levels of shareholder participation representing from 25% to 100% participation related to the repurchase of 146.5 million shares of Activision Blizzard common stock at \$27.50 per share, representing the maximum amount of shares to be purchased under the all cash tender offer within five business days after closing the transaction. The analysis estimates the effect of different levels of shareholder participation in the tender offer on: cash and cash

equivalents, short term investments, borrowings, additional paid in capital, other income (expense), net income, and net income per share. For the purpose of this analysis, the following assumptions have been made:

- (1) Activision Blizzard will use available cash on hand and short term investments for the repurchase of shares. A total of \$2,843,842 in cash and short term investments on the pro forma balance sheet as of March 31, 2008 was assumed as available for the repurchase of shares. Any additional amount will be funded by issuance of additional shares to Vivendi to the maximum of \$700 million, and by borrowings from Vivendi under the new credit facilities.
- (2) The borrowings to fund the tender offer bear interest at LIBOR plus 85-120 basis points per the credit agreement between Vivendi and Activision Blizzard. The rates were estimated at 3.49%-3.84% using the LIBOR rate as of May 22, 2008.

NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Note 2: Pro Forma Adjustments (Continued)

The results of this analysis, which may differ from actual results, are as follows (in thousands):

	Tender Participation level			
	100%	75%	50%	25%
Cash required for tender offer	\$ 4,028,000	\$ 3,021,000	\$ 2,014,000	\$ 1,007,000
Vivendi tender contribution	700,000	93,000		
Borrowings	484,158	84,158		

Selected Adjusted Pro Forma Activision Blizzard Balance Sheet amounts as of March 31, 2008:

Decrease in cash and cash equivalents	\$ (2,802,431)	\$ (2,802,431)	\$ (1,972,589)	\$ (965,589)
Decrease in short-term investments	(41,411)	(41,411)	(41,411)	(41,411)
Increase in long-term debt	484,158	84,158		
Decrease in additional paid in capital	(3,328,000)	(2,928,000)	(2,014,000)	(1,007,000)

Selected Adjusted Pro Forma Activision Blizzard Statement of Operations amounts:**Three months ended March 31, 2008**

Decrease in other income	\$ 20,250	\$ 16,760	\$ 5,589	\$ 499
Decrease in net income	12,332	10,207	3,404	304
Impact of 1/8% change in interest rate on net income	92	16		
Adjusted diluted net income per share	0.06	0.06	0.07	0.07
Impact of 1/8% change in interest rate on adjusted net income per share	0.00	0.00		

Year ended December 31, 2007

Decrease in other income	\$ 70,087	\$ 56,127	\$ 18,780	\$ 1,995
Decrease in net income	42,683	34,181	11,437	1,215
Impact of 1/8% change in interest rate on net income	369	64		
Adjusted diluted net income per share	0.47	0.47	0.48	0.47
Impact of 1/8% change in interest rate on adjusted net income per share	0.00	0.00		

Note 3: Acquisition costs of Activision

Activision's estimated transaction expenses ranging from \$50.0 million to \$54.0 million incurred and to be incurred were excluded from the unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2008 and the year ended December 31, 2007.

ACTIVISION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ACTIVISION

Overview

Our Business

We are a leading international publisher of interactive entertainment software products. We have built a company with a diverse portfolio of products that spans a wide range of categories and target markets and that are used on a variety of game hardware platforms and operating systems. We have created, licensed, and acquired a group of highly recognizable franchises, which we market to a variety of consumer demographics. Our fiscal 2008 product portfolio includes titles such as *Guitar Hero III: Legends of Rock*, *Guitar Hero II* for the Microsoft Xbox360, *Guitar Hero: Rocks the 80s* for the PS2, *Call of Duty 4: Modern Warfare*, *Spider-Man 3 The Game ("Spider-Man 3")*, *Shrek the Third*, *TRANSFORMERS: The Game*, *Enemy Territory: Quake Wars*, *Tony Hawk's Proving Ground*, *Bee Movie Game*, and *Spider-Man: Friend or Foe*.

Our products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming, and strategy. Our target customer base ranges from casual players to game enthusiasts, children to adults, and mass-market consumers to "value" buyers. We currently offer our products primarily in versions that operate on the Sony PlayStation 2 ("PS2"), the Sony PlayStation 3 ("PS3"), the Nintendo Wii ("Wii"), and the Microsoft Xbox360 ("Xbox360") console systems, the Nintendo Dual Screen ("NDS"), and the Sony PlayStation Portable ("PSP") hand-held devices, and the personal computer ("PC"). The installed base for the previous generation of hardware platforms (e.g., the PS2) is significant and the fiscal 2006 release of the Xbox360 and the fiscal 2007 releases of the PS3 and the Wii have further expanded the software market. To take advantage of the growth of the PS3, the Xbox360, and the Wii ("the next-generation platforms"), during fiscal 2008, we increased our presence on the next-generation platforms through the increased number of new released titles on the next-generation platforms. For example, the number of new released titles for the Wii tripled from 5 releases during fiscal 2007 to 15 releases, and we successfully released several major titles for the PS3, the Xbox360 and/or the Wii *Guitar Hero III: Legends of Rock**Call of Duty 4: Modern Warfare*, *Spider-Man 3*, *Shrek the Third*, *TRANSFORMERS: The Game*, and *Tony Hawk's Proving Ground*. Some of these titles are also available on the PS2. Our plan is to continue to build a significant presence on the PS3, the Wii, and the Xbox360 ("the next-generation platforms") by continuing to expand the number of titles released on the next-generation and hand-held platforms while continuing to market to the PS2 platform as long as economically attractive given its large installed base.

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

Our profitability is directly affected by the mix of revenues from our publishing and distribution businesses. Operating margins realized from our publishing business are typically substantially higher than margins realized from our distribution business. Operating margins in our publishing business are affected by our ability to release highly successful or "hit" titles. Though many of these titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs,

incremental net revenues directly and positively impact our operating margin. Operating margins in our distribution business are affected by the mix of hardware and software sales, with software typically producing higher margins than hardware.

Our Focus

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

We have focused on establishing and maintaining relationships with talented and experienced software development and publishing teams. In June 2006, we acquired RedOctane, Inc. ("RedOctane"), the publisher of the popular Guitar Hero franchise. The Guitar Hero franchise has set an industry record, surpassing \$1 billion in North America retail sales in 26 months, according to The NPD Group, which is a provider of consumer and retail market research information for a wide range of industries. *Guitar Hero III: Legends of Rock* was the number one best-selling game in dollars in the U.S. and Europe for fiscal 2008, according to The NPD Group, Charttrack and Gfk. We plan on continuing to build on this franchise by investing in the future development of Guitar Hero titles across a variety of platforms. We have also been successful in the first person action categories through the Call of Duty original franchise, which we plan on continuing as a successful long-term franchise. Call of Duty has achieved over \$1 billion life-to-date net revenues in fiscal 2008. *Call of Duty 4: Modern Warfare* ended the fiscal year as the number two best-selling game worldwide in dollars, according to The NPD Group, Charttrack and Gfk. In September 2007, we acquired U.K.-based video game developer Bizarre Creations Limited ("Bizarre Creations"), a leader in the racing category. With more than 10 years of experience in the racing genre, Bizarre Creations developed the innovative multi-million unit selling franchise, Project Gotham Racing for Microsoft, a critically-acclaimed series for the Xbox and Xbox360. Bizarre Creations and its games have won numerous industry awards including: Best Racing Game for *Project Gotham Racing 2* from the British Academy of Film and Television Arts (BAFTA); the Industry Grand Prix Award from Develop; MCV's UK Development Team 2006 award; Best Racing/Driving Game from IGN; Game of the Year from OXM and Gamespy for *Project Gotham Racing 3*; and IGN's Best Xbox Live Arcade ("XBLA") Game for *Geometry Wars: Retro Evolved*. Bizarre Creations will play a role in our growth strategy as we develop new intellectual property for the racing segment, expand our development capability and capacity for other genres and utilize Bizarre Creations' proprietary development technology. We also have development agreements with other top-level, third-party developers such as id Software, Inc., Splash Damage, Ltd., and Next Level Games.

Our fiscal 2008 releases include well-established franchises, which are backed by high-profile intellectual property and/or highly anticipated motion picture releases. For example, we have a long-term relationship with Marvel Entertainment, Inc. through an exclusive licensing agreement for the Spider-Man and X-Men franchises through 2017. This agreement grants us the exclusive, worldwide rights to develop and publish video games based on Marvel's comic book franchises: Spider-Man and X-Men. In addition, we have an agreement with Spider-Man Merchandising, LP which grants us exclusive, worldwide rights to publish video games based on subsequent Spider-Man feature films through 2017. Through March 31, 2008, games based on the Spider-Man and X-Men franchises have generated approximately \$1.1 billion in net revenues worldwide. Under this agreement, in the first quarter fiscal 2007 we released the video game, *X-Men: The Official Game* coinciding with the theatrical release of *X-Men: The Last Stand*. In the third quarter fiscal 2007, we released *Marvel: Ultimate Alliance* across multiple platforms and *Spider-Man: Battle for New York* on the NDS and the GBA. In the first quarter fiscal 2008, we released *Spider-Man 3* based on Columbia Pictures/Marvel Entertainment, Inc.'s feature film "Spider-Man 3," which was released in May 2007. We also released *Spider-Man: Friend or Foe* in the third quarter fiscal 2008.

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We also have an exclusive licensing agreement with professional skateboarder Tony Hawk. The agreement grants us exclusive rights to develop and publish video games through 2015 using Tony Hawk's name and likeness. Through March 31, 2008, we have released nine titles in the Tony Hawk franchise with cumulative net revenues of \$1.3 billion, including the fiscal 2008 third quarter release, *Tony Hawk's Proving Ground*, which was released on the PS3, the PS2, the Wii, the Xbox360 and the NDS.

We will also continue to evaluate and exploit emerging franchises that we believe have potential to become successful game franchises. For example, we have multi-year, multi-property, agreements with DreamWorks Animation LLC that grant us the exclusive rights to publish video games based on DreamWorks Animation SKG's theatrical releases, including "Shrek the Third," which was released in the second quarter fiscal 2005, "Madagascar," which was released in the first quarter fiscal 2006, "Over the Hedge," which was released in the first quarter fiscal 2007, "Shrek the Third," which was released in the first quarter fiscal 2008, "Bee Movie," which was released in the third quarter fiscal 2008, and all of their respective sequels. In addition, our multi-year agreements with DreamWorks Animation LLC also grant us the exclusive video game rights to three upcoming DreamWorks Animation feature films, including "Kung Fu Panda," "Monsters vs Aliens" and "How to Train Your Dragon." We plan to release *Kung Fu Panda*, *Monsters vs Aliens*, and *Madagascar 2* during fiscal 2009.

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

We also continue to build on our portfolio of licensed intellectual property. In February 2006, we signed an agreement with Hasbro Properties Group granting us the exclusive global rights (excluding Japan) to develop console, hand-held, and PC games based on Hasbro's "Transformers" franchise. We released our first "Transformers" game, *TRANSFORMERS: The Game*, in late June 2007 concurrently with the early July 2007 movie release of the live action "Transformers" film from DreamWorks Pictures and Paramount Pictures. In April 2006, we signed an agreement with MGM Interactive and EON Productions Ltd. granting us the exclusive rights to develop and publish video games based on the James Bond license through 2014. We plan to release our first James Bond title, *Quantum of Solace*, during fiscal 2009.

In April 2006, we signed a multi-year agreement with Mattel, Inc. which grants us the exclusive, worldwide distribution rights for the catalog of video games based on Mattel, Inc.'s Barbie franchise on all platforms. Through the third quarter fiscal 2007, we distributed six Barbie titles: *Barbie and the 12 Dancing Princesses*, *The Barbie Diaries: High School Mystery*, *Barbie Fashion Show*, *Barbie Horse Adventures: Mystery Ride*, *Barbie and the Magic of Pegasus*, and *Barbie as the Princess and the Pauper*. Based on the success of this distribution, we signed multi-year license agreements with Mattel, Inc. in January 2007 which grant us the exclusive worldwide rights to develop and publish new video games based on Mattel Inc.'s *Barbie* and *Hot Wheels* franchises on all platforms. In the second quarter fiscal 2008, we released *Hot Wheels: Beat That!*. In September 2006, we entered into a distribution agreement with MTV Networks Kids and Family Group's Nickelodeon, a division of Viacom Inc., to be the exclusive distributor of three new Nick Jr. PC CD-ROM titles, published by Nickelodeon and based on the top preschool series on commercial television, *Dora The Explorer*, *The Backyardigans*, and *Go, Diego, Go!*

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

Business Combination

On December 2, 2007, we and Vivendi S.A. ("Vivendi") announced an agreement to combine Vivendi Games, Inc. ("Vivendi Games"), Vivendi's interactive entertainment business which includes Blizzard Entertainment, Inc., the creator of *World of Warcraft*, a massively multi-player online role-playing game ("MMORPG") franchise, with us. If the transaction closes, we will be renamed Activision Blizzard, Inc. ("Activision Blizzard") and continue to operate as a public company with our common stock traded on NASDAQ under the ticker ATVI.

All information included in this report reflects only Activision's results, and does not reflect any impact of the proposed combination. The forward-looking comments in this Management's Discussion & Analysis of Financial Condition and Results of Operations are prepared on an Activision standalone basis, without considering any potential impacts of the proposed business combination with Vivendi Games.

Critical Accounting Policies and Estimates

We have identified the policies below as critical to our business operations and the understanding of our financial results. The impact and any associated risks related to these policies on our business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, see Note 1 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition. We recognize revenue from the sale of our products upon the transfer of title and risk of loss to our customers, and once any performance obligations have been completed. Certain products are sold to customers with a street date (the earliest date these products may be sold by retailers). For these products we recognize revenue on the later of the street date or the sale date. Revenue from product sales is recognized after deducting the estimated allowance for returns and price protection. With respect to license agreements that provide customers the right to make multiple copies in exchange for guaranteed amounts, revenue is recognized upon delivery of a master copy. Per copy royalties on sales that exceed the guarantee are recognized as earned.

Some of our software products provide limited online features at no additional cost to the consumer. Generally, we consider such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, we do not defer any revenue related to products containing these limited online features. In instances where online features or additional functionality is considered a substantive deliverable in addition to the software product, we take this into account when applying our revenue recognition policy. This evaluation is performed for each software product when it is released. We determined that one of our software titles, *Enemy Territory: Quake Wars* (which is primarily an online multiplayer PC game), contains online functionality that constitutes a more-than-inconsequential separate service deliverable in addition to the product, principally because of its importance to game play. As such, our performance obligations for this title extend beyond the sale of the game, which is unique compared to other previously released titles. Vendor-specific objective

evidence of fair value ("VSOE") does not exist for the online functionality, as we do not separately charge for this component of the title. As a result, we are recognizing all of the revenue from the sale of this title ratably over an estimated service period, which is currently estimated to be six months beginning the month after shipment. In addition, we are deferring the costs of sales for this title. Cost of sales includes: manufacturing costs, software royalties and amortization, and intellectual property licenses. Overall, online play functionality is still an emerging area for us.

We continue to monitor the development of online functionality (together with online transactions, such as electronics downloads of titles or product add-ons) and its significance to our products. Based on our current assessment of obligations with respect to the online functionality for certain of our fiscal 2009 titles on certain platforms, we expect that certain fiscal 2009 titles will contain online functionality that constitutes a more-than-inconsequential separate service deliverable in addition to the product, and that our performance obligations for these fiscal 2009 titles will extend beyond the sale of the game. VSOE of fair value does not exist for these online features, as we do not plan to separately charge for this component of these fiscal 2009 titles. As a result, we expect to recognize all of the revenue from the sale of these fiscal 2009 titles ratably over an estimated service period, which is currently estimated to be six months beginning the month after shipment. In addition, we expect to defer the costs of sales of these fiscal 2009 titles. We anticipate that, in fiscal 2009, we will likely defer approximately \$350.0 million in net revenues and \$150.0 million in costs of sales from the sale of these fiscal 2009 titles into fiscal 2010. Since most of these fiscal 2009 titles are planned to release in the third quarter fiscal 2009, we expect that a majority of revenues and costs of sales for these products will be deferred in the third quarter fiscal 2009, and recognized later in the calendar year 2009. However, the actual amount of revenues and costs of sales deferred will vary significantly depending upon the timing of the release of these fiscal 2009 titles and the sales volume of such products.

With respect to online transactions, such as electronic downloads of titles or product add-ons, revenue is recognized when the fee is paid by the online customer to purchase online content and we are notified by the online retailer that the product has been downloaded. In addition, in order to recognize revenue for both product sales and licensing transactions, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable.

Sales incentives or other consideration given by us to our customers is accounted for in accordance with the Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*. In accordance with EITF Issue 01-9, sales incentives and other consideration that are considered adjustments of the selling price of our products, such as rebates and product placement fees, are reflected as reductions of revenue. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular advertisement, are reflected as sales and marketing expenses.

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

We may permit product returns from, or grant price protection to, our customers under certain conditions. In general, price protection refers to the circumstances when we elect to decrease the wholesale price of a product by a certain amount and, when granted and applicable, allows customers a credit against amounts owed by such customers to us with respect to open and/or future invoices. The conditions our customers must meet to be granted the right to return products or price protection are,

among other things, compliance with applicable payment terms and consistent delivery to us of inventory and sell-through reports. We may also consider other factors, including the facilitation of slow-moving inventory and other market factors. Management must make estimates of potential future product returns and price protection related to current period product revenue. We estimate the amount of future returns and price protection for current period product revenue utilizing historical experience and information regarding inventory levels and the demand and acceptance of our products by the end consumer. The following factors are used to estimate the amount of future returns and price protection for a particular title: historical performance of titles in similar genres, historical performance of the hardware platform, historical performance of the franchise, console hardware life cycle, our sales force and retail customer feedback, industry pricing, weeks of on-hand retail channel inventory, absolute quantity of on-hand retail channel inventory, our warehouse on-hand inventory levels, the title's recent sell-through history (if available), marketing trade programs, and competing titles. The relative importance of these factors varies among titles depending upon, among other items, genre, platform, seasonality, and sales strategy. Significant management judgments and estimates must be made and used in connection with establishing the allowance for returns and price protection in any accounting period. Based upon historical experience we believe our estimates are reasonable. However, actual returns and price protection could vary materially from our allowance estimates due to a number of reasons including, among others, a lack of consumer acceptance of a title, the release in the same period of a similarly themed title by a competitor, or technological obsolescence due to the emergence of new hardware platforms. Material differences may result in the amount and timing of our revenue for any period if factors or market conditions change or if management makes different judgments or utilizes different estimates in determining the allowances for returns and price protection. For example, a 1% change in our March 31, 2008 allowance for returns and price protection would impact net revenues by \$1.3 million.

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

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

Software Development Costs and Intellectual Property Licenses. Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed products.

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

to software development which are not capitalized are charged immediately to product development expense.

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

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

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

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

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

Stock-based Compensation Expense. On April 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, ("SFAS No. 123R") which requires

the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors, including employee stock options and employee stock purchases made pursuant to the Employee Stock Purchase Plan based on estimated fair values. Stock-based compensation expense recognized under SFAS No. 123R for the years ended March 31, 2008, and 2007 was \$53.6 million, and \$25.5 million, respectively. See Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement for additional information.

We estimate the value of employee stock options on the date of grant using a binomial-lattice model. The fair value of a share-based payment as of the grant date estimated in accordance with this option pricing model depends upon our future stock price as well as assumptions concerning expected volatility, risk-free interest rate, and risk-adjusted stock return, and measures of employees' forfeiture, exercise, and post-vesting termination behavior. Statistical methods were used to estimate employee rank specific termination rates. These termination rates, in turn, were used to model the number of options that are expected to vest and employees' post-vesting termination behavior. Employee rank specific estimates of expected time-to-exercise ("ETTE") were used to reflect employee exercise behavior. ETTE was estimated by using statistical procedures to first estimate the conditional probability of exercise occurring during each time period, conditional on the option surviving to that time period and then using those probabilities to estimate ETTE. The model was calibrated by adjusting parameters controlling exercise and post-vesting termination behavior so that the measures output by the model matched values of these measures that were estimated from historical data. The weighted-average estimated value of employee stock options granted during the years ended March 31, 2008 and 2007 was \$9.21 and \$5.86, respectively, per share using the binomial-lattice model with the following weighted-average assumptions:

	Employee and Director Options For the years ended March 31,	
	2008	2007
Expected life (in years)	5.41	4.87
Risk free interest rate	4.70%	4.99%
Volatility	51%	54%
Dividend yield		

To estimate volatility for the binomial-lattice model, we use methods or capabilities that are discussed in SFAS No. 123R and SAB No. 107. These methods included the implied volatility method, which is based upon the volatilities for exchange-traded options with respect to our stock, to estimate short-term volatility, the historical method which is based upon the annualized standard deviation of the instantaneous returns on Activision's stock during the option's contractual term, to estimate long-term volatility and a statistical model to estimate the transition or "mean reversion" from short-term volatility to long-term volatility. Based on these methods, for options granted during the year ended March 31, 2008, the expected stock price volatility ranged from 34% to 53%, with a weighted-average volatility of 51%. For options granted during the year ended March 31, 2007, the expected stock price volatility ranged from 38% to 56%, with a weighted average volatility of 54%.

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

The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is, as required by SFAS No. 123R, output by the binomial-lattice model. The expected life of employee stock options depends on all of the underlying

assumptions and calibration of our model. The binomial-lattice model assumes that employees will exercise options when the stock price equals or exceeds an exercise boundary. The exercise boundary is not constant but continually declines as one approaches the option's expiration date. The exact placement of the exercise boundary depends on all of the model inputs as well as the measures that were used to calibrate the model to estimated measures of employees' exercise and termination behavior.

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

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

Income Taxes. We record a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, 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. Effective at the beginning of fiscal 2008, we adopted Financial Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. Further information may be found in Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement.

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. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of FIN 48 and other complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our financial condition and operating results.

Selected Consolidated Statements of Operations Data

The following table sets forth certain Consolidated Statements of Operations data for the periods indicated as a percentage of consolidated net revenues and also breaks down net revenues by territory, business segment, and platform, as well as operating income by business segment (amounts in thousands):

	For the fiscal years ended March 31,					
	2008		2007		2006	
Net revenues	\$ 2,898,136	100%	\$ 1,513,012	100%	\$ 1,468,000	100%
Costs and expenses:						
Cost of sales product costs	1,240,605	43	799,587	52	734,874	50
Cost of sales software royalties and amortization	294,279	10	132,353	9	147,822	10
Cost of sales intellectual property licenses	110,551	4	46,125	3	57,666	4
Product development	269,535	9	133,073	9	132,651	9
Sales and marketing	308,143	10	196,213	13	283,395	19
General and administrative	195,409	7	132,514	9	96,366	7
Total costs and expenses	2,418,522	83	1,439,865	95	1,452,774	99
Income from operations	479,614	17	73,147	5	15,226	1
Investment income, net	51,254	1	36,678	2	30,630	2
Income before income tax provision	530,868	18	109,825	7	45,856	3
Income tax provision	185,985	6	24,038	1	5,605	
Net income	\$ 344,883	12%	\$ 85,787	6%	\$ 40,251	3%
Net Revenues by Territory:						
North America	\$ 1,761,753	61%	\$ 753,376	50%	\$ 710,040	48%
Europe	1,037,257	36	718,973	47	717,494	49
Other	99,126	3	40,663	3	40,466	3
Total net revenues	\$ 2,898,136	100%	\$ 1,513,012	100%	\$ 1,468,000	100%
Net Revenues by Segment/Platform Mix:						
Publishing:						
Console	\$ 2,129,799	73%	\$ 886,795	59%	\$ 812,345	55%
Hand-held	219,299	8	153,357	10	158,861	11
PC	156,068	5	78,886	5	183,457	13
Total publishing net revenues	2,505,166	86	1,119,038	74	1,154,663	79
Distribution:						
Console	268,794	9	238,662	16	196,413	13
Hand-held	94,918	4	122,293	8	76,973	5
PC	29,258	1	33,019	2	39,951	3
Total distribution net revenues	392,970	14	393,974	26	313,337	21
Total net revenues	\$ 2,898,136	100%	\$ 1,513,012	100%	\$ 1,468,000	100%

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For the fiscal years ended March 31,

Operating Income (Loss) by Segment:

Publishing	\$	461,718	16%	\$	64,076	4%	\$	(6,715)	%
Distribution		17,896	1		9,071	1		21,941	1
Total operating income	\$	479,614	17%	\$	73,147	5%	\$	15,226	1%

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Results of Operations Fiscal Years Ended March 31, 2008 and 2007*Net Revenues*

We primarily derive revenue from sales of packaged interactive software games designed for play on video game consoles (such as the PS2, PS3, Xbox360, and Wii), PCs, and hand-held game devices (such as the NDS, and PSP). We also derive revenue from our distribution business in Europe that provides logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations and third-party manufacturers of interactive entertainment hardware.

The following table details our consolidated net revenues by business segment and our publishing net revenues by territory for the years ended March 31, 2008 and 2007 (amounts in thousands):

	For the fiscal years ended March 31,		Increase/ (Decrease)	Percent Change
	2008	2007		
Publishing net revenues				
North America	\$ 1,761,753	\$ 753,376	\$ 1,008,377	134%
Europe	644,287	324,999	319,288	98%
Other	99,126	40,663	58,463	144%
Total international	743,413	365,662	377,751	103%
Total publishing net revenues	2,505,166	1,119,038	1,386,128	124%
Distribution net revenues	392,970	393,974	(1,004)	0%
Consolidated net revenues	\$ 2,898,136	\$ 1,513,012	\$ 1,385,124	92%

Consolidated net revenues increased 92% from \$1,513.0 million for the fiscal year ended March 31, 2007 to \$2,898.1 million for the fiscal year ended March 31, 2008.

In the second quarter fiscal 2008, we determined to recognize all of the net revenues from the sale of one of our titles, *Enemy Territory: Quake Wars* (which is primarily an online multiplayer PC game), on a deferred basis straight-line over an estimated service period, which we estimate to be six months beginning the month after shipment. There is no impact to consolidated net revenues for the year ended March 31, 2008.

Overall, the increase in consolidated net revenues for the fiscal year ended March 31, 2008, was driven by the following:

Our total publishing net revenues increased substantially by \$1,386.1 million year over year. This is due to the strong performance of titles released during fiscal 2008 in each territory. During fiscal 2008, in the U.S., we grew our market share by 7.2 percent to a record 17.3 percent, were the number one console and handheld software publisher in dollars, and had three top-10 best-selling titles overall in dollars, according to The NPD Group. In particular, *Guitar Hero III: Legends of Rock*, was the number one best-selling game in the U.S. and Europe in dollars for fiscal 2008, according to The NPD Group, Charttrack, and Gfk. *Call of Duty 4: Modern Warfare* ended the fiscal year as the number two best-selling game worldwide in dollars, according to The NPD Group, Charttrack and Gfk. We have expanded our presence on the next-generation platforms through the increased number of premium priced titles released on those platforms. This has further increased our publishing net revenues as the installed base of the next-generation platforms continues to expand. Other major worldwide releases contributing to the results were *Spider-Man 3*, *Shrek the Third*, *Bee Movie Game* as well as our new licensed intellectual property *TRANSFORMERS: The Game*. *Spider Man 3* and *TRANSFORMERS: The Game* were the number one and number two best-selling movie based games in dollars worldwide for fiscal 2008, according to The NPD Group, Charttrack and Gfk. In fiscal 2007, our

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major releases included *Call of Duty 3*, *Guitar Hero 2*, *Marvel: Ultimate Alliance*, *Tony Hawk's Project 8*, *Over the Hedge*, *X-Men: Official Game*, *Shrek Smash N' Crash*, *Tony Hawk's Downhill Jam*, *World Series of Poker Tournament of Champions*, *Pimp My Ride*, and titles for our Cabela's History Channel and Barbie franchises.

Changes in foreign exchange rates from a year over year strengthening of the Great Britain Pound ("GBP"), Euro ("EUR") and Australian Dollar ("AUD") in relation to the United States Dollar ("USD") increased reported net revenues by approximately \$87.7 million for the year ended March 31, 2008. Excluding the impact of changing foreign currency rates, our consolidated net revenues increased 86% compared to prior year.

In fiscal 2009, we plan to publish *Guitar Hero: On Tour* for the NDS; *Guitar Hero: Aerosmith*, *Guitar Hero: Metallica*, and *Guitar Hero IV* across multiple platforms. We plan to release *Call of Duty 5*, and continue to expand our licensed titles such as *Kung Fu Panda*, *Madagascar: Escape 2 Africa*, *Monsters vs. Aliens*, *Marvel Ultimate Alliance 2*, our first James Bond title, *Quantum of Solace*, and several other titles. We also expect to increase our titles across multiple platforms to take advantage of the expected growth of different hardware platforms in fiscal 2009. As a result, we anticipate net revenues will increase in fiscal 2009 in comparison to the record net revenues achieved in fiscal 2008. However, such increases may be offset by the impact of revenue deferral described below.

When we plan our fiscal 2009 titles releases, we continue to monitor the development of online functionality (together with online transactions, such as electronics downloads of titles or product add-ons) and its significance to our products. Based on our current assessment of obligations with respect to the online functionality for certain of our fiscal 2009 titles on certain platforms, we expect that certain fiscal 2009 titles will contain online functionality that constitutes a more-than-inconsequential separate service deliverable in addition to the product, and that our performance obligations for these fiscal 2009 titles will extend beyond the sale of the game. Vendor specific objective evidence of fair value does not exist for these online features, as we do not plan to separately charge for this component of these fiscal 2009 titles. As a result, we expect to recognize all of the revenue from the sale of these fiscal 2009 titles ratably over an estimated service period, which is currently estimated to be six months beginning the month after shipment. In addition, we expect to defer the costs of sales of these fiscal 2009 titles. We anticipate that, in fiscal 2009, we will likely defer approximately \$350.0 million in net revenues and \$150.0 million in costs of sales from the sale of these fiscal 2009 titles into fiscal 2010. Since most of these fiscal 2009 titles are planned to release in the third quarter fiscal 2009, we expect that a majority of revenues and costs of sales for these products will be deferred in the third quarter fiscal 2009, and recognized later in the calendar year 2009. However, the actual amount of revenues and costs of sales deferred will vary significantly depending upon the timing of the release of these fiscal 2009 titles and the sales volume of such products.

North America Publishing Net Revenues (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenues	March 31, 2007	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 1,761,753	61%	\$ 753,376	50%	\$ 1,008,377	134%

North America publishing net revenues increased 134% from \$753.4 million for the year ended March 31, 2007 to \$1,761.8 million for the year ended March 31, 2008. The main revenue drivers for the year ended March 31, 2008 were *Guitar Hero III: Legends of Rock* and *Call of Duty 4: Modern Warfare*. *Guitar Hero III: Legends of Rock*, was the number one best-selling game in dollars in the U.S. for fiscal 2008, according to The NPD Group. *Call of Duty 4: Modern Warfare* ended the fiscal 2008 as the number three best-selling game in dollars in the U.S., according to The NPD Group. Other key revenue contributors during the year include *Guitar Hero II* for the Xbox360, *Spider-Man 3*, *Shrek the Third*, and our new licensed intellectual property *TRANSFORMERS: The Game*.

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North America publishing net revenues increased as a percentage of consolidated net revenues from 50% for the year ended March 31, 2007 to 61% for the year ended March 31, 2008. The increases in the percentages of total consolidated net revenues were a result of the stronger growth in net revenues for the publishing segment than that of the distribution segment during the year.

International Publishing Net Revenues (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenues	March 31, 2007	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 743,413	26%	\$ 365,662	24%	\$ 377,751	103%

International publishing net revenues increased by 103% from \$365.7 million for the year ended March 31, 2007 to \$743.4 million for the year ended March 31, 2008. The increase in international publishing net revenues was primarily due to the increase in the number of titles released internationally in fiscal 2008, and the success of *Guitar Hero III: Legends of Rock* and *Call of Duty 4: Modern Warfare*. We also grew our European market share from 4.8 percent to 7.4 percent during fiscal 2008, according to Charttrack and Gfk.

International publishing net revenues were further increased by a year over year strengthening of the EUR, AUD, and GBP in relation to the USD of approximately \$63.0 million for the year ended March 31, 2008 as compared to the year ended March 31, 2007. Excluding the impact of changing foreign currency rates, our international publishing net revenues increased 86% year over year. As a percentage of consolidated net revenues, international publishing net revenues increased slightly from 24% for the year ended March 31, 2007 to 26% for the year ended March 31, 2008. The slight increase in the percentage of total consolidated net revenues was a result of the stronger growth in net revenues for the publishing segment than that of the distribution segment during the year.

Publishing Net Revenues by Platform

Publishing net revenues increased 124% from \$1,119.0 million for the year ended March 31, 2007 to \$2,505.2 million for the year ended March 31, 2008. The following table details our publishing net revenues by platform and as a percentage of total publishing net revenues for the years ended March 31, 2008 and 2007 (amounts in thousands):

	Year Ended March 31, 2008	% of Publishing Net Revs	Year Ended March 31, 2007	% of Publishing Net Revs	Increase/ (Decrease)	Percent Change
Publishing Net Revenues						
PC	\$ 156,068	6%	\$ 78,886	7%	\$ 77,182	98%
Console						
Sony PlayStation 3	313,123	13%	53,842	5%	259,281	482%
Sony PlayStation 2	716,922	29%	500,927	45%	215,995	43%
Microsoft Xbox360	785,476	31%	200,394	18%	585,082	292%
Nintendo Wii	309,867	12%	54,636	5%	255,231	467%
Other	4,411	%	76,996	7%	(72,585)	(94)%
Total console	2,129,799	85%	886,795	80%	1,243,004	140%
Hand-held	219,299	9%	153,357	13%	65,942	43%
Total publishing net revenues	\$ 2,505,166	100%	\$ 1,119,038	100%	\$ 1,386,128	124%

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Personal Computer Net Revenues (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 156,068	6%	\$ 78,886	7%	\$ 77,182	98%

Net revenues from sales of titles for the PC increased 98% from \$78.9 million for the year ended March 31, 2007 to \$156.1 million for the year ended March 31, 2008. The increases were primarily due to the strong performance of our fiscal 2008 PC release of *Call of Duty 4: Modern Warfare*. For fiscal 2008, *Call of Duty 4: Modern Warfare* was the number one PC title in dollars worldwide, according to The NPD Group, Charttrack and Gfk. The increase also resulted from an increased number of titles, both mainline titles and value titles, released on the PC. This compares to fiscal 2007 where net revenues were primarily derived from catalog sales of *Call of Duty 2*, *Quake 4* and *The Movies*, as well as revenues from our European affiliate title LucasArts' *Lego Star Wars II: The Original Trilogy*.

We plan to release several key titles on the PC in fiscal 2009, however, we anticipate net revenues from the PC to be partially offset by the impact of revenue deferral as previously discussed.

Sony PlayStation 3 Net Revenues (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 313,123	13%	\$ 53,842	5%	\$ 259,281	482%

The PS3 was released in North America in November 2006 and in Europe in March 2007. With more than a full year for the installed base of the PS3 to expand, and our increased number of titles available on the PS3, net revenues from sales of titles for the PS3 increased 482% from \$53.8 million, or 5% of publishing net revenues for the year ended March 31, 2007 to \$313.1 million, or 13% of publishing net revenues for the year ended March 31, 2008. The increase was primarily attributable to the success of *Call of Duty 4: Modern Warfare*, which was the number one best-selling title in dollars on the PS3, according to The NPD Group. Further, the increased number of titles available on the PS3 has increased our revenues from this platform. We released eight titles on the PS3 during fiscal 2008 as compared to three titles for fiscal 2007. During fiscal 2008, we released *Guitar Hero III: Legends of Rock*, *Call of Duty 4: Modern Warfare*, *Spider-Man 3*, *TRANSFORMERS: The Game*, *Tony Hawk's Proving Ground*, *Soldier of Fortune: Payback*, *History Channel: Battle for the Pacific*, and our European affiliate title LucasArts' *Lego Star Wars: The Complete Saga* on the PS3. This compares to the third quarter fiscal 2007 releases of *Call of Duty 3*, *Marvel: Ultimate Alliance* and *Tony Hawk's Project 8*.

Over the last twelve months, Sony has cut prices and introduced lower priced models of the PS3 hardware. These price reductions have grown the installed base of the PS3, which combined with our strong slate of titles led to a significant increase in net revenues on the PS3 platform. We expect net revenues from sales of titles for the PS3 to continue to increase as we plan to increase our releases on the PS3 to take advantage of the expected growth of the hardware installed base, however, we anticipate such increase will be partially offset by the impact of revenue deferral as previously discussed.

Sony PlayStation 2 Net Revenues (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 716,922	29%	\$ 500,927	45%	\$ 215,995	43%

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In general, there was an overall decline in industry sales of titles for the PS2 as more consumers migrated to the next-generation platforms as compared to the prior year. However, net revenues from sales of our titles for the PS2 increased 43% from \$500.9 million for the year ended March 31, 2007 to \$716.9 million for the year ended March 31, 2008. The key titles impacting the fiscal 2008 results were *Guitar Hero III: Legends of Rock*, *Spider-Man: Friend or Foe*, *Bee Movie Game*, *Tony Hawk's Proving Ground*, *Guitar Hero: Rocks the 80s*, *Spider-Man 3*, *Shrek the Third*, and *TRANSFORMERS: The Game* and the continued momentum for our fiscal 2007 third quarter titles. This compares to the titles released in fiscal 2007 such as *Call of Duty 3*, the number three title overall in dollars for the third quarter fiscal 2007, according to The NPD Group, and *Guitar Hero II* (game and accessories), the number one best-selling title in dollars on the PS2 platform for the third quarter fiscal 2007 per The NPD Group. Also, in fiscal 2007, we released *Marvel: Ultimate Alliance*, *Over the Hedge*, *Tony Hawk's Project 8*, *X-Men: The Official Game*, *Shrek Smash N' Crash Racing* and our European affiliate title, LucasArts' *Star Wars Lego 2*. As a percentage of publishing net revenues, net revenues from the PS2 decreased from 45% for the year ended March 31, 2007 to 29% for the year ended March 31, 2008. This was mainly attributable to the growth of net revenues from the next-generation platforms at a faster pace than revenues from the PS2.

Although we expect net revenues from sales of titles for the PS2 to decline over time as consumers transition to the next-generation platforms, we expect significant net revenues for the PS2 for fiscal 2009 as we plan to develop and release many of our key titles on this platform.

Microsoft Xbox360 Net Revenues (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 785,476	31%	\$ 200,394	18%	\$ 585,082	292%

Net revenues from sales of titles for the Xbox360 increased 292% from \$200.4 million for the year ended March 31, 2007 to \$785.5 million for the year ended March 31, 2008. As a percentage of publishing net revenues, net revenues from sales of titles for the Xbox360 increased from 18% for the year ended March 31, 2007 to 31% for the year ended March 31, 2008. These increases are due to the growing installed base for the Xbox360, as well as an increase in the number of new titles we released. In fiscal 2008, we released seventeen titles for this platform, and the key revenue drivers were *Guitar Hero III: Legends of Rock* which was the number one best-selling game in dollars in the U.S. and Europe, and *Call of Duty 4: Modern Warfare* which was the number two best-selling game in dollars worldwide, according to The NPD Group, Chartrack, and Gfk. Other major titles released on the Xbox360 in fiscal 2008 such as *Tony Hawk's Proving Ground*, *Guitar Hero II*, *Spider-Man 3*, and *TRANSFORMERS: The Game* also contributed to the increase in revenues. This compares to our fiscal 2007 releases of ten titles for this platform, three of which, *Call of Duty 3*, *Tony Hawk's Project 8* and *Marvel: Ultimate Alliance* ranked among the top ten Xbox360 titles during the third quarter fiscal 2007, according to The NPD Group.

In August 2007, Microsoft announced a reduction of the retail price of the Xbox360 by \$50 in the U.S. market and by EUR 50 in European markets. These price reductions have grown the installed base of the Xbox360, which combined with our strong slate of titles led to a significant increase in net revenues on the Xbox360 platform. We expect net revenues from sales of titles for the Xbox360 to continue to increase as we plan several key releases on the Xbox360 to take advantage of the expected growth of the hardware installed base, however, we anticipate such increase will be partially offset by the impact of revenue deferral as previously discussed.

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Nintendo Wii Net Revenues (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 309,867	12%	\$ 54,636	5%	\$ 255,231	467%

The Wii was released in November 2006 and quickly gained strong consumer acceptance due to its innovative controller and mass market appeal. With more than a full year of expanding the installed base of the Wii and our increased number of new titles on the Wii, net revenues from the sales of titles for the Wii increased to \$309.9 million for the year ended March 31, 2008 from \$54.6 million for the year ended March 31, 2007. As a percentage of publishing net revenues, net revenues from the sales of titles for the Wii increased from 5% to 12% year over year. We released the first version of Guitar Hero for the Wii, *Guitar Hero III: Legends of Rock* in the third quarter fiscal 2008 which was the main contributor to our net revenues on the platform and the primary reason for the increase in net revenues from sales of Wii titles for the year ended March 31, 2008. Further, we have released fourteen other Wii titles during fiscal 2008 as compared to five Wii titles released during fiscal 2007. Some of the titles we released during fiscal 2008 were *Bee Movie Game*, *Spider-Man: Friend or Foe*, *Tony Hawk's Proving Ground*, *Dancing with Stars*, *Barbie Island Princess*, *Cabela's: Big Game Hunter 2008* and, in Europe our affiliate LucasArt's titles, *Thrillville: Off the Rails*, and *Lego Star Wars: The Complete Saga*. This compares to the five titles concurrently released with the release of the Wii in November 2006, *Call of Duty 3*, *Marvel: Ultimate Alliance*, *World Series of Poker: Tournament of Champions*, *Rapala Tournament Fishing*, and *Tony Hawk's Downhill Jam*.

We expect net revenues from sales of titles for the Wii to continue to increase as we plan key releases on the Wii for the expected growth of the hardware installed base, however, we anticipate such increase will be partially offset by the impact of revenue deferral as previously discussed.

Hand-held Net Revenues (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 219,299	9%	\$ 153,357	13%	\$ 65,942	43%

Net revenues from sales of titles for the hand-held platforms increased 43% from \$153.4 million for the year ended March 31, 2007 to \$219.3 million for the year ended March 31, 2008. During fiscal 2008, we have released more "big proposition" titles which contributed to the increase in net revenues. The increase in net revenues was primarily due to the releases of *Bee Movie Game*, *Call of Duty 4: Modern Warfare*, *Spider-Man: Friend or Foe*, *Shrek: Ogres and Donkeys*, *TRANSFORMERS: The Game* on the PSP, *TRANSFORMERS: Decepticon* and *TRANSFORMERS: Autobots* exclusively on the NDS, and our European releases of two LucasArts' titles, *Thrillville: Off the Rails*, and *Lego Star Wars: The Complete Saga*. This compares to the fiscal 2007 releases of *Tony Hawk's Downhill Jam*, *Over the Hedge: Hammy Goes Nuts!*, *Barbie and the 12 Dancing Princesses*, *Marvel: Ultimate Alliance*, *Spider-Man: Battle for New York*, *Over the Hedge*, *X-Men: The Official Game*, *World Series of Poker: Tournament of Champions* and *Rapala Trophies* and our European affiliate title, LucasArts' *Lego Star Wars II: The Original Trilogy*. As a percentage of publishing net revenues, net revenues from hand-held platforms decreased from 13% for the year ended March 31, 2007 to 9% for the year ended March 31, 2008. This was mainly attributable to the growth of net revenues from the Guitar Hero titles on the next-generation platforms and the Guitar Hero titles were not yet available on the hand-held platforms during fiscal 2008. Our first Guitar Hero title on the hand-held platform will be released in fiscal 2009.

With the installed base of the NDS and PSP continuing to increase and our increasing presence on hand-held platform, such as *Guitar Hero: On Tour*, and several other titles, we expect fiscal 2009 hand-held net revenues to continue to increase year over year.

Overall

The platform mix of our future publishing net revenues will likely be impacted by a number of factors, including the ability of hardware manufacturers to continue to increase their installed hardware base for the next-generation platforms, as well as the performance of key product releases from our product release schedule. According to The NPD Group, we were the number one console and handheld software publisher in dollars for fiscal 2008. Additionally, *Guitar Hero III: Legends of Rock*, was the number one best-selling game in dollars in the U.S. and Europe for fiscal 2008, according to The NPD Group, Chartrack, and Gfk. *Call of Duty 4: Modern Warfare* ended the fiscal year as the number two best-selling game worldwide in units, with sell-through of more than 9 million units to date, according to The NPD Group, Chartrack and Gfk. In fiscal 2008, both the Guitar Hero and Call of Duty franchises surpassed a billion dollars in life to date net revenues.

A significant portion of our revenues and profits are derived from a relatively small number of popular titles and franchises each year, so revenues and profits are significantly affected by our ability to release highly successful "hit" titles. For example, for the year ended March 31, 2008, 65% of our consolidated net revenues and 75% of publishing net revenues were derived from net revenues from three franchises. This revenue concentration reflects an industry wide trend, with market share of the top 10 titles of calendar year 2007 doubling versus a year ago, according to The NPD Group. For fiscal 2008, we published three top-10 best-selling titles in dollars overall, according to The NPD Group. Though many of our titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs, incremental net revenues directly and positively impact operating profits resulting in a disproportionate amount of operating income being derived from these select titles. We expect that a limited number of titles and franchises will continue to produce a disproportionately large amount of our net revenues and profits.

Three key factors that could affect future publishing and distribution net revenues performance are console hardware pricing, software pricing, and transitions in console platforms. As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions. Reductions in the price of console hardware typically result in an increase in the installed base of hardware owned by consumers. Historically, we have also seen that lower console hardware prices put downward pressure on software pricing. However, we expect console software launch pricing for the next-generation platforms to hold at current levels as a result of the strong consumer acceptance of these price points that has occurred since the launch of the next-generation platforms and the greater product capability and entertainment value of next generation titles. We continue to expect software launch pricing on the PS2 to hold at \$39.99 for top titles on this platform.

Distribution Net Revenues (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenues	March 31, 2007	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 392,970	14%	\$ 393,974	26%	\$ (1,004)	0%

Distribution net revenues for the year ended March 31, 2008 decreased slightly from \$394.0 million to \$393.0 million year over year. Foreign exchange rates increased reported distribution net revenues by approximately \$24.7 million for the year ended March 31, 2008. Excluding the impact of the changing foreign currency rates, our distribution net revenues decreased \$25.7 million or 7% year over year. The decrease in absolute dollars of distribution net revenues for the year ended March 31, 2008 was primarily due to the effect of the termination of a significant customer, which outweighed the beneficial effect of foreign currency rates. Distribution net revenues as a percentage of consolidated net revenues decreased from 26% for the year ended March 31, 2007 to 14% for the year ended March 31, 2008, primarily due to the significant increase in publishing net revenues.

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The mix of distribution net revenues between hardware and software sales varied slightly year over year with approximately 26% of distribution net revenues from hardware sales for the year ended March 31, 2008 as compared to 17% for the year ended March 31, 2007. The mix of future distribution net revenues will be driven by a number of factors including the occurrence of further hardware price reductions instituted by hardware manufacturers, and our ability to establish and maintain distribution agreements with hardware manufacturers, third-party software publishers and retail customers. For fiscal 2009, we expect distribution net revenues to decrease in absolute dollars due to the full year effect of the termination of the significant customer when compared to fiscal 2008.

Costs and Expenses

Cost of Sales Product Costs (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenues	March 31, 2007	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 1,240,605	43%	\$ 799,587	52%	\$ 441,018	55%

"Cost of sales product costs" increased 55% from \$799.6 million for the year ended March 31, 2007 to \$1,240.6 million for the year ended March 31, 2008. "Cost of sales product costs" increased as a result of the revenue growth in our publishing businesses. "Cost of sales product costs" as a percentage of consolidated net revenues decreased from 52% for the year ended March 31, 2007 to 43% for year ended March 31, 2008. The decrease in "cost of sales product costs" as a percentage of consolidated net revenues was partially due to a higher percentage of net revenues for fiscal 2008 as compared to fiscal 2007, relating to our publishing business which in general carries a lower percentage "cost of sales product costs" than our distribution business. Net revenues from our publishing business was 86% of total net revenues for the year ended March 31, 2008 as compared to 74% for the year ended March 31, 2007. As we increase our presence on the next-generation platforms, publishing net revenues during fiscal 2008 included a larger mix of next-generation product sales which carries lower product costs than the other console platforms.

We expect "cost of sales product costs" as a percentage of consolidated net revenues for fiscal 2009 to be about in line with fiscal 2008.

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

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 294,279	12%	\$ 132,353	12%	\$ 161,926	122%

"Cost of sales software royalties and amortization" as a percentage of publishing net revenues for the year ended March 31, 2008 remained constant from the prior fiscal year at 12%. In absolute dollars, "cost of sales software royalties and amortization" increased from \$132.4 million for the year ended March 31, 2007 to \$294.3 million for the year ended March 31, 2008. The increase was the result of a larger slate of titles released leading to an increase in net revenues during fiscal 2008 when compared to fiscal 2007.

For fiscal 2009, we expect "costs of sales software royalties and amortization" as a percentage of publishing net revenues to be about in line with fiscal 2008 levels.

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Cost of Sales Intellectual Property Licenses (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 110,551	4%	\$ 46,125	4%	\$ 64,426	140%

"Cost of sales intellectual property licenses" increased in absolute dollars from \$46.1 million for the year ended March 31, 2007 to \$110.6 million for the year ended March 31, 2008 and remained constant as a percentage of publishing net revenues over the last fiscal year. This was primarily the result of the increase in net revenues and a larger movie slate with higher overall intellectual property costs, offset on a percentage of publishing net revenues by the larger growth of net revenues from titles of our wholly owned intellectual properties, such as *Guitar Hero III: Legends of Rock* and *Call of Duty 4: Modern Warfare*, which do not have significant intellectual property costs.

For fiscal 2009, we expect "costs of sales intellectual property licenses" as a percentage of publishing net revenues to be about in line with fiscal 2008 levels.

Product Development (amounts in thousands)

March 31, 2008	% of Publishing Net Revenues	March 31, 2007	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 269,535	11%	\$ 133,073	12%	\$ 136,462	103%

Product development expenses of \$269.5 million and \$133.1 million represented 11% and 12% of publishing net revenues for the years ended March 31, 2008 and 2007, respectively. The increase in product development expenses primarily resulted from costs incurred during fiscal 2008 to support the greater number of new titles in development, the more technologically advanced nature of those titles, the development costs of those titles that have not yet reached technological feasibility, and exceptional title performance during fiscal 2008 leading to increased costs for studio performance incentive plans.

For fiscal 2009, we expect product development expenses as a percentage of publishing net revenues to be about in line with fiscal 2008 levels.

Sales and Marketing (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenue	March 31, 2007	% of Consolidated Net Revenue	Increase/ (Decrease)	Percent Change
\$ 308,143	10%	\$ 196,213	13%	\$ 111,930	57%

Sales and marketing expenses of \$308.1 million and \$196.2 million represented 10% and 13% of consolidated net revenues for the years ended March 31, 2008 and 2007, respectively. The increases in absolute dollars were a result of higher spending associated with several larger and successful releases particularly in the third quarter fiscal 2008 and the movie-based releases in the first quarter fiscal 2008, and several marketing programs conducted in the fourth quarter fiscal 2008. As a result of the success of our title releases, our consolidated net revenues increased by a higher percentage than sales and marketing expenses which led to the decrease of sales and marketing expenses as a percentage of consolidated net revenues.

For fiscal 2009, we expect sales and marketing expenses as a percentage of consolidated net revenues to increase when compared to fiscal 2008 levels because of the effect of revenue deferral as previously discussed and the expected spending increases on sales and marketing to grow market share internationally and to support a larger slate of titles planned in fiscal 2009.

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General and Administrative (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenues	March 31, 2007	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 195,409	7%	\$ 132,514	9%	\$ 62,895	47%

General and administrative expenses of \$195.4 million and \$132.5 million represented 7% and 9% of consolidated net revenues for the years ended March 31, 2008 and 2007, respectively. Expenses were higher than prior year primarily due to an increase in headcount related costs due to the expansion of RedOctane to support the growth of the Guitar Hero titles, increased bonus accruals due to strong financial performances of Activision, costs related to Activision's pending merger with Vivendi Games, the consolidation and related amortization of intangibles related to DemonWare and Bizarre Creations (acquired in May 2007 and September 2007, respectively) included in our results of operations, and the impact of changes in foreign currency rates.

For fiscal 2009, we expect general and administrative expenses as a percentage of consolidated net revenues to increase when compared to fiscal 2008 levels because of the effect of revenue deferral as previously discussed although the expenses are expected to be about in line with fiscal 2008.

Operating Income (amounts in thousands)

	March 31, 2008	% of Segment/ Consolidated Net Revs	March 31, 2007	% of Segment/ Consolidated Net Revs	Increase/ (Decrease)	Percent Change
Publishing	\$ 461,718	18%	\$ 64,076	6%	\$ 397,642	621%
Distribution	17,896	5%	9,071	2%	8,825	97%
Consolidated	\$ 479,614	17%	\$ 73,147	5%	\$ 406,467	556%

Publishing operating income for the year ended March 31, 2008 increased \$397.6 million from \$64.1 million for fiscal 2007 to \$461.7 million for fiscal 2008. The increase was primarily due to:

The strong performance of our fiscal 2008 titles, leading to the substantial growth in our publishing segment which in general has a higher operating margin than our distribution segment.

Cost control relative to significant growth in net revenues.

Distribution operating income for the year ended March 31, 2008 increased over the last fiscal year, from \$9.1 million to \$17.9 million. The results from the distribution business have improved primarily due to the effect of foreign currency rates, higher operating margin as a result of the termination of a significant customer that generated limited operating income, and the strong performance of Activision titles for the year ended March 31, 2008.

Investment Income, Net (amounts in thousands)

March 31, 2008	% of Consolidated Net Revenues	March 31, 2007	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 51,254	2%	\$ 36,678	2%	\$ 14,576	40%

Investment income, net for the year ended March 31, 2008 was \$51.3 million as compared to \$36.7 million for the year ended March 31, 2007. The increase was primarily due to higher yields earned on our increasing portfolio of investments and cash equivalents, and a net realized gain in the fourth quarter fiscal 2008 of \$1.1 million on the sale of investments.

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Provision for Income Taxes (amounts in thousands)

March 31, 2008	% of Pre Tax Income	March 31, 2007	% of Pre Tax Income	Increase/ (Decrease)	Percent Change
\$ 185,985	35%	\$ 24,038	22%	\$ 161,947	674%

The income tax provision of \$186.0 million for the year ended March 31, 2008 reflects our effective income tax rate of 35%. While our effective income tax rate for the year equals our statutory rate there are certain items that would normally generate a variance between the two rates. Those items are the federal and state research and development tax credits and the impact of foreign tax rate differentials partially offset by state taxes. However, the net effect for the year is approximately zero.

The aforementioned effective income tax rate for the year ended March 31, 2008 of 35% differs from our effective income tax rate of 22% for the year ended March 31, 2007 due to an increase in pretax income for fiscal 2008 versus the pretax income for fiscal 2007, without a corresponding increase in the benefit of book/tax differences. The lower effective income tax rate in fiscal 2007 was also due to the reversal of valuation allowance.

Net Income

Net income for the year ended March 31, 2008 was \$344.9 million or \$1.10 per diluted earnings per share, as compared to net income of \$85.8 million or \$0.28 per diluted earnings per share for the year ended March 31, 2007.

Results of Operations Fiscal Years Ended March 31, 2007 and 2006

Net Revenues

The following table details our consolidated net revenues by business segment and our publishing net revenues by territory for the years ended March 31, 2007 and 2006 (amounts in thousands):

	For the fiscal years ended March 31,		Increase/ (Decrease)	Percent Change
	2007	2006		
Publishing net revenues				
North America	\$ 753,376	\$ 710,040	\$ 43,336	6%
Europe	324,999	404,157	(79,158)	(20)%
Other	40,663	40,466	197	%
Total international	365,662	444,623	(78,961)	(18)%
Total publishing net revenues	1,119,038	1,154,663	(35,625)	(3)%
Distribution net revenues	393,974	313,337	(80,637)	26%
Consolidated net revenues	\$ 1,513,012	\$ 1,468,000	\$ 45,012	3%

The increase in consolidated net revenues for fiscal 2007 was driven by the following:

Strong performance of our North American publishing unit led to a year over year increase in net revenues of \$43.3 million or 6%. In the third quarter fiscal 2007, we released a focused but high quality slate of titles, which resulted in strong consumer demand for our new releases in the third quarter, continuing reorders in the fourth quarter and strong price realization. In fiscal 2007, our major releases included *Call of Duty 3*, *Guitar Hero 2*, *Marvel: Ultimate Alliance*, *Tony Hawk's Project 8*, *Over the Hedge*, *X-Men: Official Game*, *Shrek Smash N' Crash*, *Tony Hawk's Downhill Jam*, *Series of Poker Tournament of Champions*, *Pimp My Ride*, and titles for our Cabela's History Channel and new Barbie franchises. In fiscal 2006, we released the following

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major releases: *Doom 3* for the Xbox, *Madagascar*, *Fantastic Four*, *Ultimate Spider-Man*, *X-Men Legends II*, *THAW*, *Call of Duty 2*, *Call of Duty 2: Big Red One*, *GUN*, *True Crime: New York City*, *Quake 4*, *Shrek SuperSlam*, *The Movies*, *Cabela's Dangerous Hunts 2*, and *World Series of Poker*.

An increase in net revenues from our distribution business due to a stronger release schedule for certain third-party publishers, higher revenues from hardware sales related to the launch of PS3 and Nintendo Wii, as well as ongoing sales of NDS and PSP, and the addition of a significant new customer in the second quarter fiscal 2007.

Impact of the year over year strengthening of the Great Britain Pound ("GBP"), Euro ("EUR") and Australian Dollar ("AUD") in relation to the United States Dollar ("USD"). Foreign exchange rates increased reported net revenues by approximately \$51.6 million or 4% for the year

ended March 31, 2007. Excluding the impact of changing foreign currency rates, our consolidated net revenues remained about in line with prior year.

Partially offset by:

A decrease in publishing net revenues from our European publishing operations primarily due to a more focused slate in fiscal 2007, and a decrease in our affiliate business as only one title, LucasArts' *Star Wars Lego 2* was released in 2007, whereas two strong affiliate titles, LucasArts' *Star Wars: Episode III Revenge of the Sith* and LucasArts' *Star Wars Battlefront II*, were released in fiscal 2006.

North America Publishing Net Revenues (amounts in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 753,376	50%	\$ 710,040	48%	\$ 43,336	6%

North America publishing net revenues increased 6% from \$710.0 million for the year ended March 31, 2006 to \$753.4 million for the year ended March 31, 2007. Although we released fewer titles in fiscal 2007, the high quality slate drove strong consumer demand and enabled us to maintain pricing and record lower provisions for returns and price protection than in fiscal 2006. Net revenues were impacted by strong performances from *Guitar Hero 2*, *Call of Duty 3*, *Marvel: Ultimate Alliance* and *Tony Hawk's Project 8*. North America publishing net revenues increased as a percentage of consolidated net revenues from 48% for the year ended March 31, 2006 to 50% for the year ended March 31, 2007. The increase in the percentage of consolidated net revenues is due to a combination of strong performance in North America and a decrease in our international publishing net revenues due to a smaller slate and a decrease in the number of affiliate titles in Europe released in fiscal 2007.

International Publishing Net Revenues (amounts in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 365,662	24%	\$ 444,623	30%	\$ (78,961)	(18)%

International publishing net revenues decreased by 18% from \$444.6 million for the year ended March 31, 2006 to \$365.7 million for the year ended March 31, 2007. Additionally, international publishing net revenues as a percentage of consolidated net revenues decreased from 30% for the year ended March 31, 2006 to 24% for the year ended March 31, 2007. The decrease in international publishing net revenues was primarily due to the decrease in the number of titles released internationally in fiscal 2007. Additionally, in Europe, our net revenues were impacted by a decrease in revenues from our affiliate titles. Fiscal 2006 included the successful LucasArts' titles, *Star Wars: Revenge of the Sith* and *Star Wars Battlefront II*, while fiscal 2007 included one major affiliate label

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release, LucasArts' *Lego Star Wars II: The Original Trilogy*. The decrease in international publishing net revenues was partially offset by a year over year strengthening of the EUR and the GBP in relation to the USD, which increased reported net revenues for fiscal 2007 by approximately \$24.2 million. Excluding the impact of changing foreign currency rates, our international publishing net revenues decreased 23% year over year.

Publishing Net Revenues by Platform

Publishing net revenues decreased 3% from \$1,154.7 million for the year ended March 31, 2006 to \$1,119.0 million for the year ended March 31, 2007. The following table details our publishing net revenues by platform and as a percentage of total publishing net revenues for the years ended March 31, 2007 and 2006 (amounts in thousands):

	Year Ended March 31, 2007	% of Publishing Net Revs	Year Ended March 31, 2006	% of Publishing Net Revs	Increase/ (Decrease)	Percent Change
Publishing Net Revenues						
PC	\$ 78,886	7%	\$ 183,457	16%	\$ (104,571)	(57)%
Console						
Sony PlayStation 3	53,842	5%		%	53,842	n/a
Sony PlayStation 2	500,927	45%	422,239	36%	78,688	19%
Microsoft Xbox360	200,394	18%	102,809	9%	97,585	95%
Microsoft Xbox	54,232	5%	205,864	18%	(151,632)	(74)%
Nintendo Wii	54,636	5%		%	54,636	n/a
Nintendo GameCube	22,761	2%	80,964	7%	(58,203)	(72)%
Other	3	%	469	%	(466)	(99)%
Total console	886,795	80%	812,345	70%	74,450	9%
Hand-held						
Game Boy Advance	48,478	4%	79,738	7%	(31,260)	(39)%
PlayStation Portable	49,931	4%	52,016	5%	(2,085)	(4)%
Nintendo Dual Screen	54,948	5%	27,107	2%	27,841	103%
Total hand-held	153,357	13%	158,861	14%	(5,504)	(3)%
Total publishing net revenues	\$ 1,119,038	100%	\$ 1,154,663	100%	\$ (35,625)	(3)%

Personal Computer Net Revenues (amounts in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 78,886	7%	\$ 183,457	16%	\$ (104,571)	(57)%

Net revenues from sales of titles for the PC decreased 57% from \$183.5 million and 16% of publishing net revenues for the year ended March 31, 2006 to \$78.9 million and 7% of publishing net revenues for the year ended March 31, 2007. The decreases were primarily due to the strong performance of our fiscal 2006 PC releases, as well as a decrease in the number of titles released for the PC during fiscal 2007 as compared to fiscal 2006. In fiscal 2006, we released the highly successful PC title, *Call of Duty 2*, which was ranked by NPD Funworld as the number two best selling PC title in the United States for the third quarter fiscal 2006, as well as *Quake 4*, *The Movies*, and *Doom 3: Resurrection of Evil*. This compares to fiscal 2007 where net revenues were primarily derived from catalog sales of *Call of Duty 2*, *Quake 4* and *The Movies*, as well as revenues from our European affiliate title LucasArts' *Lego Star Wars II: The Original Trilogy*.

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Sony PlayStation 3 Net Revenues (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 53,842	5%	\$	%	\$ 53,842	n/a

The PS3 was released in November 2006 in North America and in March 2007 in Europe. Consistent with our goal of having a significant presence at the launch of each new platform, we released three titles concurrently with the hardware releases: *Call of Duty 3*, *Marvel: Ultimate Alliance*, and *Tony Hawk's Project 8*. All of these titles were released at premium retail pricing (i.e. \$59.99 in the United States).

Sony PlayStation 2 Net Revenues (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 500,927	45%	\$ 422,239	36%	\$ 78,688	19%

Net revenues from sales of titles for the PS2 increased 19% from \$422.2 million for the year ended March 31, 2006 to \$500.9 million for the year ended March 31, 2007. Although we released a fewer number of major titles for the PS2 in fiscal 2007, the strong performance of these releases, particularly the PS2 exclusive title *Guitar Hero 2*, resulted in higher net revenues in absolute dollars and as a percentage of publishing net revenues. The key titles impacting the fiscal 2007 results were *Call of Duty 3*, the #3 title overall for the third quarter fiscal 2007, according to NPD Funworld, and *Guitar Hero 2* (game and accessories), the #1 best selling title on the PS2 platform for the third quarter fiscal 2007 per NPD Funworld. In addition, we released *Marvel: Ultimate Alliance*, *Over the Hedge*, *Tony Hawk's Project 8*, *X-Men: The Official Game*, *Shrek Smash N' Crash Racing* and our European affiliate title, LucasArts' *Star Wars Lego 2*. This compares to fiscal 2006 where we released the PS2 titles *Call of Duty 2: Big Red One*, *Tony Hawk's American Wasteland*, *Shrek SuperSlam*, *GUN*, *True Crime: New York City*, *Madagascar*, *Fantastic Four*, *X-Men Legends 2*, *Ultimate Spiderman* and two affiliate titles in Europe, LucasArts' *Star Wars: Revenge of the Sith* and *Star Wars Battlefront II*.

Microsoft Xbox360 Net Revenues (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 200,394	18%	\$ 102,809	9%	\$ 97,585	95%

Net revenues from sales of titles for the Xbox360 increased 95% from \$102.8 million for the year ended March 31, 2006 to \$200.4 million for the year ended March 31, 2007. As a percentage of publishing net revenues, net revenues from sales of titles for the Xbox360 doubled from 9% for the year ended March 31, 2006 to 18% for the year ended March 31, 2007. These increases are due to the growing installed base for the Xbox360, as well as an increase in the number of titles released. In fiscal 2007, we released ten titles for this platform, and according to NPD Funworld, three of our titles, *Call of Duty 3*, *Tony Hawk's Project 8* and *Marvel: Ultimate Alliance* ranked among the top ten Xbox 360 titles during the third quarter fiscal 2007. In fiscal 2006, we released four titles concurrently with the November 2005 launch of the Xbox360 hardware, *Call of Duty 2*, *THAW*, *Quake 4*, and *GUN*, and we experienced strong sales for these four titles although limited by hardware availability.

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Microsoft Xbox Net Revenues (amounts in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 54,232	5%	\$ 205,864	18%	\$ (151,632)	(74)%

Net revenues from sales of titles for the Xbox decreased 74% from \$205.9 million for the year ended March 31, 2006 to \$54.2 million for the year ended March 31, 2007. As a percentage of publishing net revenues, net revenues from sales of titles for the Xbox decreased from 18% for the year ended March 31, 2006 to 5% for the year ended March 31, 2007. These decreases were primarily attributable to a slowdown in sales for the Xbox as customers upgrade to the Xbox360, and the reduction in the number of titles released by us for this platform. In fiscal 2007 we released five major titles for Xbox: *Call of Duty 3*, *Tony Hawk's Project 8*, *Marvel: Ultimate Alliance*, *Over the Hedge* and *X-Men: The Official Game*. In fiscal 2006, we released our largest slate including *Call of Duty: Big Red One*, *Tony Hawk's American Wasteland*, *GUN*, *Ultimate Spiderman*, *X-Men Legends 2*, *True Crime: New York City*, *Shrek: SuperSlam*, *Madagascar*, *Fantastic Four* and the Xbox exclusive, *Doom 3*.

Nintendo Wii Net Revenues (amounts in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 54,636	5%	\$	%	\$ 54,636	n/a%

The Nintendo Wii was released in November 2006. Consistent with our goal of having a significant presence at the launch of each next generation platform, we released five titles concurrently with the release of Wii; *Call of Duty 3*, *Marvel: Ultimate Alliance*, *World Series of Poker: Tournament of Champions*, *Rapala Tournament Fishing*, and *Tony Hawk's Downhill Jam*. With the strong consumer demand for the platform, our five releases performed well, three of which were top ten Wii titles in the third quarter fiscal 2007, according to NPD Funworld: *Call of Duty 3*, *Marvel Ultimate Alliance* and *Tony Hawk's Downhill Jam*.

Nintendo GameCube Net Revenues (amounts in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 22,761	2%	\$ 80,964	7%	\$ (58,203)	(72)%

Net revenues from sales of titles for the Nintendo GameCube decreased 72% from \$81.0 million for the year ended March 31, 2006 to \$22.8 million for the year ended March 31, 2007. The decrease in absolute dollars and as a percentage of publishing net revenues reflects a decrease in the number of new releases in fiscal 2007 compared to fiscal 2006 and a significant slowdown in sales on the GameCube platform as customers transition to the next generation platforms. In fiscal 2006, we released nine major titles: *Madagascar*, *Tony Hawk's American Wasteland*, *Ultimate Spiderman*, *Fantastic Four*, *Call of Duty: Big Red One*, *True Crime: New York City*, *GUN*, *Shrek Super Slam* and *X-Men Legends 2*. This compares to fiscal 2007 when we released four titles: *Over the Hedge*, *X-Men: The Official Game*, *Shrek Smash N' Crash Racing*, and our European affiliate title, *Star Wars Lego 2*.

Hand-held Net Revenues (amounts in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
\$ 153,357	13%	\$ 158,861	14%	\$ (5,504)	(3)%

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Net revenues from sales of titles for the hand-held platforms decreased 3% from \$158.9 million for the year ended March 31, 2006 to \$153.4 million for the year ended March 31, 2007. Hand-held net revenues as a percentage of publishing net revenues decreased slightly from 14% to 13%. Within the hand-held platforms, net revenues for the GBA platform decreased 39%, from \$79.7 million for the prior fiscal year, to \$48.5 million for fiscal 2007, PSP decreased by 4%, from \$52.0 million to \$49.9 million, and net revenues for the NDS doubled from \$27.1 million for fiscal 2006 to \$54.9 million for the current year. The decrease in net revenues for GBA is primarily related to slower GBA sales due to wider acceptance of the NDS platform. The net revenue increase for NDS reflects the strong performance of our key fiscal 2007 titles which includes *Over the Hedge*, *Tony Hawk's Downhill Jam*, *X-Men: The Official Game*, *Spider-Man: Battle for New York* and LucasArts' *Star Wars Lego 2* in Europe, as the platform continued to gain consumer acceptance and market share. PSP net revenues for fiscal 2007 were slightly lower than the previous year. In fiscal 2006, we released a stronger PSP slate and our titles performed well with the consumer excitement for the March 2005 North America platform launch, and the September 2005 European platform launch. The 2006 slate included *Tony Hawk's Underground 2*, *Spider-Man: The Movie 2*, *X-Men Legends 2*, *World Series of Poker*, and two affiliate titles in Europe. Our key releases in fiscal 2007 were *Marvel: Ultimate Alliance*, *Tony Hawk's Project 8*, *Call of Duty: Roads to Victory*, and one European affiliate title, LucasArts' *Star Wars Lego 2*.

Distribution Net Revenues (amounts in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 393,974	26%	\$ 313,337	21%	\$ 80,637	26%

Distribution net revenues for the year ended March 31, 2007 increased 26% from the prior fiscal year, from \$313.3 million to \$394.0 million. Foreign exchange rates increased reported distribution net revenues by approximately \$27.3 million for the year ended March 31, 2007. Excluding the impact of the changing foreign currency rates, our distribution net revenues increased \$53.3 million or 17% year over year. This year over year increase was primarily due to the strong releases for certain third-party publishers, increased hardware sales primarily related to the launch of two new platforms in fiscal 2007, the PS3 and the Nintendo Wii, as well as ongoing sales of NDS and PSP hardware, and the addition of a new customer in the second quarter fiscal 2007.

The mix of distribution net revenues between hardware and software sales varied year over year with approximately 17% of distribution net revenues from hardware sales in the year ended March 31, 2007 as compared to 20% in the prior fiscal year. Fiscal 2007 results included the hardware releases of the Nintendo Wii in November 2006 and the PS3 in late March 2007. Fiscal 2006 included the release of the PSP in Europe in the second quarter and the Xbox360 in November 2005. The mix of future distribution net revenues will be driven by a number of factors including the occurrence of further hardware price reductions instituted by hardware manufacturers, and our ability to establish and maintain distribution agreements with hardware manufacturers, third-party software publishers and retail customers.

Costs and Expenses

Cost of Sales Product Costs (amounts in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
\$ 799,587	52%	\$ 734,874	50%	\$ 64,713	9%

"Cost of sales product costs" represented 52% and 50% of consolidated net revenues for the years ended March 31, 2007 and 2006, respectively. In absolute dollars, "cost of sales product costs" increased 9% from \$734.9 million for the year ended March 31, 2006 to \$799.6 million for the year

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ended March 31, 2007. The primary factors affecting the increase in "cost of sales product costs" in absolute dollars and as a percentage of consolidated net revenues were:

An increase in consolidated net revenues of 3% from \$1,468.0 million for the year ended March 31, 2006 to \$1,513.0 million for the year ended March 31, 2007.

A higher percentage of our business relating to distribution which carries higher product costs than our publishing business.

Higher net revenues from products for console platforms in absolute dollars and as a percentage of publishing net revenues from \$812.3 million and 70% of publishing net revenues in fiscal 2006 to \$886.8 million and 80% of publishing net revenues in fiscal 2007. Console products have higher costs of sales product costs associated with them than PC products, due to the royalty payments to hardware manufacturers.

Partially offset by:

Non-recurring write-downs of inventory costs recorded in fiscal 2006 in the amount of \$14.5 million due to the high level of inventory for certain titles which, due to weaker market conditions and a slow down in re-orders caused by the console transition.

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

<u>March 31, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 132,353	12%	\$ 147,822	13%	\$ (15,469)	(10)%

"Cost of sales software royalties and amortization" for the year ended March 31, 2007 decreased as a percentage of publishing net revenues from the prior fiscal year, from 13% to 12%. In absolute dollars, "cost of sales software royalties and amortization" for the year ended March 31, 2007 also decreased from the prior fiscal year, from \$147.8 million to \$132.4 million. The decreases were mainly due to:

A decrease in the number of titles released in fiscal 2007 as compared to the prior year when we had the largest slate of new releases in our history. A decrease in amortization of software development costs from internally developed games, was partially offset by increases in royalties for games developed by third party developers.

Non-recurring costs recorded in fiscal 2006 totaling \$12.6 million, related to impairment charges for a title in development in 2006, and recoverability write-offs related to released titles.

Cost of Sales Intellectual Property Licenses (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 46,125	4%	\$ 57,666	5%	\$ (11,541)	(20)%

"Cost of sales intellectual property licenses" for the year ended March 31, 2007 decreased in absolute dollars and as a percentage of publishing net revenues over the same period last year, from \$57.7 million to \$46.1 million and from 5% to 4%, respectively. The decreases in both absolute dollars and as a percentage of publishing net revenues were due mainly to a decrease in the number of titles with associated intellectual property in fiscal 2007 compared to fiscal 2006. In fiscal 2007, we released the following titles with associated intellectual property: *Marvel: Ultimate Alliance*, *Over the Hedge*, *X-Men: Official Game*, *Guitar Hero 1 and 2*, *Tony Hawk's Project 8* and *Tony Hawk's Downhill Jam*. In fiscal 2006, we released the following titles with associated intellectual property: *Doom 3* for the Xbox, *Madagascar*, *Fantastic Four*, *Ultimate Spider-Man*, *X-Men Legends II*, *THAW*, *Quake IV*, and *Shrek SuperSlam*.

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Product Development (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Publishing Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Publishing Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 133,073	12%	\$ 132,651	11%	\$ 422	%

Product development expenses of \$133.1 million and \$132.7 million represented 12% and 11% of publishing net revenues for the years ended March 31, 2007 and 2006, respectively. The increases in both absolute dollars and as a percentage of net revenues was primarily generated by:

Increased costs incurred to fund more product development capacity at certain studios as well as the addition of RedOctane.

Increases in product development expenses of \$4.8 million in fiscal 2007 related to stock-based compensation expense as a result of the implementation of SFAS No. 123R.

Compensation provided to employees in fiscal 2007 to cure tax penalties related to previously-exercised stock options.

Partially offset by:

Product cancellation charges of \$11.4 million, including termination fees, incurred during fiscal 2006. Given the market conditions, the lower than expected performance of some of our third quarter fiscal 2006 releases, and risks associated with console transition, we performed a thorough review of the then pending product slate. To better align opportunities associated with the next-generation console platforms with income potential and risks associated with certain titles in development, we canceled development of certain titles and permanently removed them from our future title slate. There were no product cancellation charges during fiscal 2007.

The implementation during fiscal 2007 of certain cost control initiatives including sharing technologies and tools across multiple platforms and studios, increasing our development schedules to facilitate a longer pre-production phase and more predictable workflow times, and outsourcing certain areas of game development to lower cost service providers.

Sales and Marketing (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Consolidated Net Revenue</u>	<u>March 31, 2006</u>	<u>% of Consolidated Net Revenue</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 196,213	13%	\$ 283,395	19%	\$ (87,182)	(31)%

Sales and marketing expenses of \$196.2 million and \$283.4 million represented 13% and 19% of consolidated net revenues for the years ended March 31, 2007 and 2006, respectively. The decrease in both absolute dollars and as a percentage of net revenues was a result of the implementation of a more targeted media program which worked more efficiently helped by the overall strength and high quality of our fiscal 2007 title slate. We also released fewer titles in fiscal 2007 compared to fiscal 2006, when we had the largest slate of new releases in our history. The decreases were partially offset by expenses of \$5.1 million in fiscal 2007 related to stock-based compensation expense as a result of the implementation of SFAS No. 123R, as well as sales and marketing expenses associated with the acquisition of the Guitar Hero franchise.

General and Administrative (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Consolidated Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Consolidated Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 132,514	9%	\$ 96,366	7%	\$ 36,148	38%

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General and administrative expenses of \$132.5 million and \$96.4 million represented 9% and 7% of consolidated net revenues for the years ended March 31, 2007 and 2006, respectively. The increases were primarily due to increased legal expenses and professional fees relating primarily to our internal review of historical stock option granting practices, the consolidation of RedOctane into our results of operations, amortization of intangible assets related to the RedOctane acquisition, and stock-based compensation expense of \$10.0 million in fiscal 2007 as a result of the implementation of SFAS No. 123R. These increases were partially offset by the benefits of our cost optimization program launched in the fourth quarter fiscal 2006 and gains on foreign currency.

Operating Income (amounts in thousands)

	March 31, 2007	% of Segment Net Revenues	March 31, 2006	% of Segment Net Revenues	Increase/ (Decrease)	Percent Change
Publishing	\$ 64,076	6%	\$ (6,715)	(1)%	\$ 70,791	1,054%
Distribution	9,071	2%	21,941	7%	(12,870)	(59)%
Consolidated	\$ 73,147	5%	\$ 15,226	1%	\$ 57,921	380%

Publishing operating income for the year ended March 31, 2007 increased \$70.8 million from the same period last year, from an operating loss of \$6.7 million to operating income of \$64.1 million. The increase was primarily due to:

The strong performance of our fiscal 2007 titles.

A decrease in provision for returns and price protection in fiscal 2007 from 18% of consolidated net revenues in fiscal 2006 compared to 9% of consolidated net revenues in fiscal 2007, primarily due to improved market conditions and stronger sell through of our 2007 title releases.

A significant decrease in sales and marketing spending as a result of improved efficiency in executing our marketing programs.

The implementation of certain cost control initiatives resulting in decreased product development and general and administrative expenses (excluding expenses related to our internal review of historical stock option granting practices and expenses relating to the informal SEC inquiry and derivative litigation).

Fiscal 2006 results included cancellation, impairment, and earn-out recoverability charges totaling \$24.0 million. See additional description of charges incurred in the cost of sales software royalties and amortization and the product development discussions.

Fiscal 2006 results also included write-downs of inventory costs of \$14.5 million. See additional description in the cost of sales product costs discussion.

Partially offset by:

Stock-based compensation expenses of \$22.4 million for the year ended March 31, 2007 as a result of the implementation of SFAS No. 123R.

Legal and other professional fees of \$26.9 million associated with our internal review of historical stock option granting practices, including expenses relating to the informal SEC inquiry and derivative litigation.

Amortization of intangible assets related to the RedOctane acquisition of \$11.7 million.

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Distribution operating income for the year ended March 31, 2007 decreased over the same period last year, from \$21.9 million to \$9.1 million. The decrease in operating income in 2007 was primarily due to increased business from large mass-market customers for which we earn smaller margins, an

increase in hardware sales which carries a lower margin than software, and higher reserves for inventory obsolescence.

Investment Income, Net (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Consolidated Net Revenues</u>	<u>March 31, 2006</u>	<u>% of Consolidated Net Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 36,678	2%	\$ 30,630	2%	\$ 6,048	20%

Investment income, net for the year ended March 31, 2007 was \$36.7 million as compared to \$30.6 million for the year ended March 31, 2006. The increase was primarily due to higher yields earned on our short term investments and cash equivalents, and a realized gain in the third quarter fiscal 2007 of \$1.8 million on the sale of an investment in common stock.

Provision for Income Taxes (amounts in thousands)

<u>March 31, 2007</u>	<u>% of Pre Tax Income</u>	<u>March 31, 2006</u>	<u>% of Pre Tax Income</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
\$ 24,038	22%	\$ 5,605	12%	\$ 18,433	329%

The income tax provision of \$24.0 million for the year ended March 31, 2007 reflects our effective income tax rate of 22%. This is higher than prior years as a result of an increase in pretax income for the year ended March 31, 2007, versus the amount of pretax income for the year ended March 31, 2006, without a corresponding increase in the benefit of book/tax differences. The significant items that generated the variance between our effective rate and our statutory rate of 35% were research and development tax credits, the impact of foreign tax rate differentials, and the elimination of the valuation allowance for research and development tax credits, partially offset by state taxes and the establishment of tax reserves for these credits and other deferred tax assets.

Net Income

Net income for the year ended March 31, 2007 was \$85.8 million or \$0.28 per diluted share, as compared to \$40.3 million or \$0.14 per diluted share for the year ended March 31, 2006.

Selected Quarterly Operating Results

Our quarterly operating results have in the past varied significantly and will likely vary significantly in the future, depending on numerous factors, several of which are not under our control. See "Risk Factors." Our business also has experienced and is expected to continue to experience significant seasonality, largely due to consumer buying patterns and our product release schedule focusing on those patterns. Net revenues typically are significantly higher during the fourth calendar quarter, primarily due to the increased demand for consumer software during the year-end holiday buying season. Accordingly, we believe that period to period comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

The following table is a comparative breakdown of our unaudited quarterly results for the immediately preceding eight quarters (amounts in thousands, except per share data):

	For the quarters ended							
	<u>March 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Sept. 30, 2007</u>	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>Dec. 31, 2006</u>	<u>Sept. 30, 2006</u>	<u>June 30, 2006</u>
Net revenues	\$ 602,451	\$ 1,482,484	\$ 317,746	\$ 495,455	\$ 312,512	\$ 824,259	\$ 188,172	\$ 188,069
Cost of sales	350,229	762,290	204,956	327,960	216,007	483,180	141,078	137,800
Operating income (loss)	54,533	404,534	(9,545)	30,092	(29,114)	173,120	(37,410)	(33,449)
Net income (loss)	44,163	272,196	698	27,826	(14,422)	142,820	(24,302)	(18,309)
Basic earnings (loss) per share	0.15	0.93	0.00	0.10	(0.05)	0.51	(0.09)	(0.07)
Diluted earnings (loss) per share	0.14	0.86	0.00	0.09	(0.05)	0.46	(0.09)	(0.07)

Liquidity and Capital Resources*Sources of Liquidity*

	As of and for the years ended March 31,		Increase/ (Decrease)
	2008	2007	
	(amounts in thousands)		
Cash and cash equivalents	\$ 1,396,250	\$ 384,409	\$ 1,011,841
Short-term investments	52,962	570,440	(517,478)
	<u>\$ 1,449,212</u>	<u>\$ 954,849</u>	<u>\$ 494,363</u>

Percentage of total assets	57%	53%	
Cash flows provided by operating activities	\$ 573,500	\$ 27,162	\$ 546,338
Cash flows provided by (used in) investing activities	326,291	(35,242)	361,533
Cash flows provided by financing activities	105,163	27,968	77,195

As of March 31, 2008, our primary source of liquidity is comprised of \$1,396.3 million of cash and cash equivalents and \$53.0 million of short-term investments. Over the last two years, our primary sources of liquidity have included cash on hand at the beginning of the year and cash flows generated from continuing operations. We have also generated cash flows from the issuance of our common stock to employees through the exercise of options, which is described in more detail below in "Cash Flows from Financing Activities." We have not utilized debt financing as a significant source of cash flows. However, we do have available at certain of our international locations credit facilities, which are described below in "Credit Facilities," that can be utilized if needed.

Following the closing of our proposed business combination with Vivendi Games, Inc. (see Note 20 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement), Activision Blizzard, Inc. ("Activision Blizzard") will commence a cash tender offer for up to 146.5 million of its shares at \$27.50 per share. If the tender offer is fully subscribed, the aggregate consideration will be approximately \$4.028 billion. Under the terms of the business combination agreement ("BCA"), we and Vivendi S.A. ("Vivendi") have agreed the purchase of the shares tendered in the tender offer will be funded as follows: (a) the first \$2.928 billion of the aggregate consideration will be funded by Activision Blizzard with proceeds from the share purchase described in Note 20 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement, available cash on hand and, if necessary, borrowings made under the new credit facilities issued by Vivendi (see below and Note 21 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement); (b) if the aggregate consideration is more than \$2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of \$27.50 per share, additional newly issued shares of Activision Blizzard common stock in an amount equal to the lesser of (x) \$700.0 million and (y) the excess of the aggregate consideration over \$2.928 billion, which amount will be used to fund the amount of the aggregate consideration that is in excess of \$2.928 billion; and (c) if the aggregate consideration exceeds \$3.628 billion, Activision Blizzard will fund the additional amount of the aggregate consideration that is in excess of \$3.628 billion (up to the maximum aggregate consideration of \$4.028 billion) through borrowings made under the new credit facilities issued by Vivendi.

On April 29, 2008, we, acting on behalf of Activision Blizzard, entered into a senior unsecured credit agreement (the "Credit Agreement") with Vivendi. Borrowings under the Credit Agreement cannot be effected until the consummation of the transactions contemplated by the business combination agreement described above (the "Transactions.") After the closing of the Transactions, among other things, Activision's name will be changed to Activision Blizzard.

After the closing of the Transactions, the Credit Agreement will provide Activision Blizzard with (i) a term loan credit facility (the "Tranche A Facility") in an aggregate amount of up to \$400.0 million

to be applied to fund that portion of the post-closing tender offer consideration in excess of \$3.628 billion as set forth in the BCA, (ii) a term loan credit facility (the "Tranche B Facility") in an aggregate amount of up to \$150.0 million to be applied to repay certain indebtedness of Vivendi Games after the closing in accordance with the terms of the BCA, and (iii) a revolving credit facility (the "Revolving Facility," and collectively with the Tranche A Facility and the Tranche B Facility, the "New Credit Facilities") in an aggregate amount of up to \$475.0 million to be used after the closing of the Transactions for general corporate purposes. In the event the BCA terminates prior to the closing of the Transactions, the New Credit Facilities will terminate effective on the same date (see Note 21 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement).

We believe that we have sufficient working capital (\$1,423.3 million at March 31, 2008), as well as proceeds available from our international credit facilities, to finance our operational requirements for at least the next twelve months, including purchases of inventory and equipment, the funding of the development, production, marketing and sale of new products, the acquisition of intellectual property rights for future products from third parties and the completion of the tender offer in connection with the combination with Vivendi Games.

Cash Flows from Operating Activities

The primary source of cash flows provided by operating activities typically have included the collection of customer receivables generated by the sale of our products, offset by payments to vendors for the manufacture, distribution, and marketing of our products, third-party developers and intellectual property holders, and our own employees. For the years ended March 31, 2008 and 2007, cash flows from operating activities were \$573.5 million and \$27.2 million, respectively. The principal components comprising cash flows from operating activities for the year ended March 31, 2008 included an increase in amounts collected from customers due to increased net revenues, an increase in accounts payable, accrued expenses and other liabilities partially offset by the increase in inventory and accounts receivables. See an analysis of the change in key balance sheet accounts below in "Key Balance Sheet Accounts." We expect that a primary source of future liquidity, both short-term and long-term, will be the result of cash flows from continuing operations.

A significant operating use of our cash relates to our continued investment in software development and intellectual property licenses. We spent approximately \$168.8 million and \$166.1 million for the years ended March 31, 2008 and 2007, respectively, in connection with the acquisition of publishing or distribution rights for products being developed by third parties, the execution of new license agreements granting us long-term rights to intellectual property of third parties, as well as the capitalization of product development costs relating to internally developed products. We expect that we will continue to make significant expenditures relating to our investment in software development and intellectual property licenses. Our future cash commitments relating to these investments are detailed below in "Commitments." Cash flows from operations are affected by our ability to release highly successful or "hit" titles. Though many of these titles have substantial production or acquisition costs and marketing expenditures, once a title recoups these costs, incremental net revenues typically will directly and positively impact cash flows.

Cash Flows from Investing Activities

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

For the years ended March 31, 2008 and 2007, cash flows provided by and used in investing activities were \$326.3 million and \$35.2 million, respectively. For the year ended March 31, 2008, cash

flows provided by investing activities were primarily the result of proceeds from sales and maturities of investments, as offset by cash paid for business acquisitions, capital expenditures, and purchases of short-term investments. The increase in cash flows provided by investing activities versus the prior year was primarily related to our investment activities as we had a bigger net proceeds from sales and maturities of investments, particularly in the fourth quarter fiscal 2008 as compared to that of fiscal 2007. Such activities were carried out in anticipation of the close of the BCA with Vivendi and the related tender offer (see Note 20 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement), and are part of the reason for the substantial increase in cash and cash equivalents of approximately \$1 billion. We have historically financed our acquisitions through the issuance of shares of common stock or a combination of common stock and cash.

Due to uncertainties surrounding the timing of liquidation of our auction rate securities, which are comprised of AAA-rated student-loan-backed taxable securities, all our investments in such securities were classified as long-term investments in our consolidated balance sheets as of March 31, 2008. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and resets the applicable interest rate at pre-determined intervals, usually every 7 to 35 days. On an industry-wide basis, many auctions have failed, and there is, as yet, no meaningful secondary market for these instruments. Each of the auction rate securities in our investment portfolio as of March 31, 2008 has experienced a failed auction and there is no assurance that future auctions for these securities will succeed. An auction failure means that the parties wishing to sell their securities could not be matched with an adequate volume of buyers. In the event that there is a failed auction, the indenture governing the security requires the issuer to pay interest at a contractually defined rate that is generally above market rates for other types of similar short-term instruments. The securities for which auctions have failed will continue to earn interest at the contractual rate and be auctioned every 7 to 35 days until the auction succeeds, the issuer calls the securities or they mature. As a result, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or not exist.

As there is not yet any meaningful secondary market for these securities, quoted market prices are not available. We estimated the fair market value using valuation models, which take into account both observable market data and non-observable factors, including credit quality, duration, insurance wraps, collateral composition, maximum rate formulas, comparable trading instruments, and likelihood of redemption. Accordingly, we consider the values generated by such valuation models to represent management's best estimate of fair value for the purposes of applying the Statement of Financial Accounting Standards No. 115 *Accounting for Certain Investments in Debt and Equity Securities*.

The change in fair value of the auction rate securities of \$4.3 million was recorded as a component of comprehensive income (loss) in the Consolidated Statement of Changes in Shareholders' Equity for the year ended March 31, 2008, as the decline in fair value is not considered to be "other-than-temporary." We have the intent and ability to hold these securities for a period of time sufficient for a recovery of fair value up to (or beyond) the initial cost of the investment.

Based on our other available cash and expected operating cash flows and financing, we do not anticipate the potential lack of liquidity on these investments will affect our ability to execute our current business plan or to consummate the proposed post-closing tender offer described in Note 20 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement. Additionally we have received indications from certain lenders that we may borrow against the par value of the securities at competitive rates.

Cash Flows from Financing Activities

The primary source of cash from financing activities has been transactions involving our common stock, including the issuance of shares of common stock to employees. We have not utilized debt

financing as a significant source of cash flows. However, we do have available at certain of our international locations, credit facilities, which are described below in "Credit Facilities," that can be utilized if needed.

For the years ended March 31, 2008 and 2007, cash flows provided by financing activities were \$105.2 million and \$28.0 million, respectively. The increase in cash provided by financing activities for the year ended March 31, 2008 was the result of the issuance of common stock related to employee equity incentive and stock purchase plans. The increase in stock option exercises was primarily due to the performance of our share price and the release in June 2007 of the suspension of stock option exercises implemented while we were not current with the filings we are required to make pursuant to the Exchange Act.

During fiscal 2003, our Board of Directors authorized a buyback program under which we can repurchase up to \$350.0 million of our common stock. Under the program, shares may be purchased as determined by management and within certain guidelines, from time to time, in the open market or in privately negotiated transactions, including privately negotiated structured stock repurchase transactions and through transactions in the options markets. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time to time without prior notice. As of March 31, 2008, we had approximately \$226.2 million available for utilization under the buyback program. We actively manage our capital structure as a component of our overall business strategy. Accordingly, in the future, when we determine that market conditions are appropriate, we may seek to achieve long term value for the shareholders through, among other things, new debt or equity financings or refinancings, share repurchases, and other transactions involving our equity or debt securities.

Key Balance Sheet Accounts

Accounts Receivable

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>Increase/ (Decrease)</u>
	(amounts in thousands)		
Gross accounts receivable	\$ 332,831	\$ 240,112	\$ 92,719
Net accounts receivable	203,420	148,694	54,726

The increase in gross accounts receivable was primarily the result of increased sales volume in the fourth quarter fiscal 2008 of our successful titles *Call of Duty 4: Modern Warfare* and *Guitar Hero III: Legends of Rock* leading to higher net revenues for the fourth quarter fiscal 2008 of \$602.5 million compared to \$312.5 million for the fourth quarter fiscal 2007.

Reserves for returns, price protection and bad debt increased from \$91.4 million at March 31, 2007 to \$129.4 million at March 31, 2008 whereas reserves as a percentage of gross receivables increased from 38% to 39% at March 31, 2007 and 2008, respectively. This was the result of increases in revenues during the fourth quarter fiscal 2008 as compared to the fourth quarter fiscal 2007. Reserves for returns and price protection are a function of the number of units and pricing of titles in retail inventory, which has been consistently applied. (see description of *Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence* elsewhere in this proxy statement).

Inventories

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>Increase/ (Decrease)</u>
	(amounts in thousands)		
Inventories	\$ 146,874	\$ 91,231	\$ 55,643

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The increase in inventories at March 31, 2008 compared to March 31, 2007 is primarily the result of the expanding Guitar Hero franchise, and larger slate of titles when compared to fiscal 2007 across all console platforms and our continued international business growth.

Software Development

	March 31, 2008	March 31, 2007	Increase/ (Decrease)
	(amounts in thousands)		
Software development	\$ 109,786	\$ 130,922	\$ (21,136)

Software development decreased from \$130.9 million at March 31, 2007 to \$109.8 million at March 31, 2008. The decrease in software development was primarily the result of an increase in amortization related to the increase in the number of titles released in fiscal 2008 and stock option expenses for the year ended March 31, 2008, partially offset by our continued investment in Activision's future product slate of titles.

Intellectual Property Licenses

	March 31, 2008	March 31, 2007	Increase/ (Decrease)
	(amounts in thousands)		
Intellectual Property Licenses	\$ 83,551	\$ 100,274	\$ (16,723)

Intellectual property licenses decreased from \$100.3 million at March 31, 2007 to \$83.6 million at March 31, 2008. The decrease in intellectual property licenses primarily resulted from the amortization of intellectual property licenses upon releases of titles during fiscal 2008.

Accounts Payable

	March 31, 2008	March 31, 2007	Increase/ (Decrease)
	(amounts in thousands)		
Accounts payable	\$ 129,896	\$ 136,517	\$ (6,621)

The slight decrease in accounts payable of \$6.6 million from March 31, 2007 to March 31, 2008 primarily reflects the timing of the payment of several items.

Accrued Expenses and Other Liabilities

	March 31, 2008	March 31, 2007	Increase/ (Decrease)
	(amounts in thousands)		
Accrued expenses and other liabilities	\$ 426,175	\$ 204,652	\$ 221,523

The increase in accrued expenses and other liabilities was primarily driven by:

Taxes payable as a result of improved profitability leading to utilization of all of our net operating loss carryforwards.

Increased annual bonuses as a result of our record financial performance.

Increased royalties payable due to higher net revenues.

See Note 9 of the Notes to Consolidated Financial Statements included elsewhere in this proxy statement for details of accrued expenses and other liabilities.

Capital Requirements

For the fiscal year ending March 31, 2009, we anticipate total capital expenditures of approximately \$35.6 million. Capital expenditures will be primarily for computer hardware and software purchases and various corporate projects.

Credit Facilities

We have revolving credit facilities with our Centresoft subsidiary located in the UK (the "UK Facility") and our NBG subsidiary located in Germany (the "German Facility.")

The UK Facility provided Centresoft with the ability to borrow up to GBP 12.0 million (\$23.9 million), including issuing letters of credit, on a revolving basis as of March 31, 2008. Furthermore, under the UK Facility, Centresoft provided a GBP 0.6 million (\$1.2 million) guarantee for the benefit of our CD Contact subsidiary as of March 31, 2008. The UK Facility bore interest at LIBOR plus 2.0% as of March 31, 2008, is collateralized by substantially all of the assets of the subsidiary and expires in March 2009. The UK Facility also contains various covenants that require the subsidiary to maintain specified financial ratios related to, among others, fixed charges. As of March 31, 2008, we were in compliance with these covenants.

The German Facility provided for revolving loans up to EUR 0.5 million (\$0.8 million) as of March 31, 2008, bore interest at a Eurocurrency rate plus 2.5%, is collateralized by certain of the subsidiary's property and equipment and has no expiration date. No borrowings were outstanding against the German Facility as of March 31, 2008.

As of March 31, 2008, we maintained a \$10.0 million irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. Under the terms of this arrangement, we are required to maintain on deposit with the bank a compensating balance, restricted as to use, of not less than the sum of the available amount of the letter of credit plus the aggregate amount of any drawings under the letter of credit that have been honored thereunder but not reimbursed. At March 31, 2008, the \$10.0 million deposit is included in short-term investments as restricted cash. No borrowings were outstanding as of March 31, 2008.

As of March 31, 2008, our publishing subsidiary located in the UK maintained a EUR 7.0 million (\$11.0 million) irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. The standby letter of credit does not require a compensating balance and is collateralized by substantially all of the assets of the subsidiary and expires in February 2009. No borrowings were outstanding as of March 31, 2008.

Commitments

In the normal course of business, we enter into contractual arrangements with third parties for non-cancelable operating lease agreements for our offices, for the development of products, as well as for the rights to intellectual property. Under these agreements, we commit to provide specified payments to a lessor, developer, or intellectual property holder, based upon contractual arrangements. Typically, the payments to third-party developers are conditioned upon the achievement by the developers of contractually specified development milestones. These payments to third-party developers and intellectual property holders typically are deemed to be advances and are recoupable against future royalties earned by the developer or intellectual property holder based on the sale of the related game. Additionally, in connection with certain intellectual property right acquisitions and development agreements, we will commit to spend specified amounts for marketing support for the related game(s) which is to be developed or in which the intellectual property will be utilized. Additionally, we lease certain of our

facilities and equipment under non-cancelable operating lease agreements. Assuming all contractual provisions are met, the total future minimum commitments for these and other contractual arrangements in place as of March 31, 2008, are scheduled to be paid as follows (amounts in thousands):

	Contractual Obligations(1)			
	Facility & Equipment Leases	Developer & IP	Marketing	Total
Fiscal years ending March 31,				
2009	\$ 19,343	\$ 110,771	\$ 41,401	\$ 171,515
2010	17,028	31,041	22,100	70,169
2011	14,553	34,086	13,100	61,739
2012	10,256	16,586		26,842
2013	8,791	21,586		30,377
Thereafter	31,201	26,001		57,202
Total	\$ 101,172	\$ 240,071	\$ 76,601	\$ 417,844

- (1) We have omitted FIN 48 liabilities from this table due to the inherent uncertainty regarding the timing of potential issue resolution. Specifically, either (a) the underlying positions have not been fully enough developed under audit to quantify at this time or, (b) the years relating to the issues for certain jurisdictions are not currently under audit. At the adoption date of April 1, 2007, we had \$65.5 million of unrecognized tax benefits. At March 31, 2008, we had \$74.2 million of unrecognized tax benefits.

Off Balance Sheet Arrangements

As of March 31, 2008 and 2007, we did not have any relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we do not have any off balance sheet arrangements and are not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

Financial Disclosure

We maintain internal control over financial reporting, which generally include those controls relating to the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. We also are focused on our "disclosure controls and procedures," which as defined by the Securities and Exchange Commission 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 Securities and Exchange Commission is reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is communicated to management, including our Chief Executive Officers and our Chief Financial Officer, as appropriate, to allow timely decisions regarding require