

Activision Blizzard, Inc.  
Form DEF 14A  
April 23, 2015  
**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. )**

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 BLIZZARD, 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)(4) and 0-11.**

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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- (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):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

**Notice of 2015 Annual Meeting  
of Stockholders  
and Proxy Statement**

Wednesday, June 3, 2015  
at 9:00 a.m., Pacific Daylight Time

3100 Ocean Park Boulevard

Santa Monica, California 90405

**Dear Fellow Stockholders:**

I cordially invite you to join me and Activision Blizzard, Inc.'s Board of Directors at the company's 2015 annual meeting of stockholders. This proxy statement contains information about the meeting and will serve as your guide to the matters on which you will be asked to vote.

At Activision Blizzard, we know that feedback from our stockholders is essential to our continued success. Regardless of the number of shares you own, this meeting is a wonderful opportunity for you to learn more about developments at the company and, more importantly, to express your opinions and play a part in Activision Blizzard's future. If you can't attend the meeting, please share your thoughts or concerns with us by email at [ir@activision.com](mailto:ir@activision.com) or in care of our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Blvd., Santa Monica, California 90405.

Thank you for your continued support of Activision Blizzard.

Sincerely,

**Robert A. Kotick**

*President and Chief Executive Officer*

**April 23, 2015**

**The proxy statement and our 2014 annual report to stockholders are each available at:**

***<http://www.cstproxy.com/activision/2015>***

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3100 Ocean Park Boulevard

Santa Monica, California 90405

## **Notice of 2015 Annual Meeting of Stockholders**

**Wednesday, June 3, 2015**

**9:00 a.m.**

*The Annual Meeting of Stockholders of Activision Blizzard, Inc. will be held in the Promenade Ballroom at the Shutters on the Beach hotel, One Pico Boulevard, Santa Monica, California 90405, on Wednesday, June 3, 2015, at 9:00 a.m., Pacific Daylight Time.*

The purposes of this year's annual meeting are to:

1. elect eight directors for a one-year term;
2. request advisory approval of our executive compensation; and
3. ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2015.

The Activision Blizzard, Inc. Board of Directors has fixed April 7, 2015 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the annual meeting.

Whether or not you plan to attend the meeting, I urge you to promptly vote your shares by proxy by following the instructions beginning on page 9 of the enclosed proxy statement. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time. If you do plan to attend the meeting, please see page 12 of the enclosed proxy statement for information regarding what you must bring with you to gain admittance.

By Order of the Board of Directors

**Jeffrey A. Brown**

*Corporate Secretary*

**April 23, 2015**



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**Proxy Summary**

*This summary highlights information contained elsewhere in this proxy statement for the 2015 annual meeting of the stockholders of Activision Blizzard, Inc., a Delaware corporation (the “Company”). This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the Company’s 2014 performance, please review the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.*

## Voting Matters and Board Recommendations

### Our Board’s Recommendations

Elect directors (page 13)	FOR each Director Nominee
Advisory vote to approve executive compensation (page 62)	FOR
Ratify the appointment of our independent registered public accounting firm (page 73)	FOR

### Director Nominees

The following table sets forth certain information about each of the nominees for election to our Board of Directors:

	Director		Principal Occupation	Independent	Other Public Boards	Committee Memberships		
	Age	Since				Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Robert J. Corti	65	2003	Chairman of the Avon Foundation	—	—			
Brian G. Kelly	52	1995	Chairman of the Board of Activision Blizzard	—	—			
Robert A. Kotick	52	1991	President and CEO of Activision Blizzard	—	1			
Barry Meyer	71	2014	Former Chairman and CEO of Warner Brothers	—	—			

Robert J. Morgado	72	1997	Entertainment Former Chairman and CEO of Warner Music Group	—
Peter Nolan	56	2013	Senior Advisor to Leonard Green & Partners	—
Richard Sarnoff	56	2005	Managing Director at Kohlberg Kravis Roberts & Co.	1
Elaine Wynn	72	2013	Co-founder of Wynn Resorts	1

*Chairperson*

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## **Executive Compensation Highlights**

Our employees are our most valuable asset. Our industry is intensely competitive and constantly evolving. Our executives and many of our highly skilled employees are often sought after by our competitors, both established and new. As such, it is necessary for us to offer our executives highly competitive total compensation, including equity awards, and to use employment agreements to attract, retain and motivate them.

Our compensation philosophy has allowed us to recruit, retain and motivate the best talent in our industry, as evidenced by our performance. Our executive compensation program, designed to be consistent with that philosophy, has three primary components: (1) base salary; (2) annual cash incentives; and (3) equity awards, including stock options and restricted share units, primarily with performance-based vesting criteria. We aim to incentivize our executives to drive corporate financial performance by basing a significant portion of their compensation on achieving financial and individual strategic targets, thereby linking payment to performance.

Highlights of our executive compensation program for 2014 with respect to the named executive officers included in the “Summary Compensation Table” below are as follows:

### **Salary**

Salary increases for our named executive officers ranged from 2.75% to 5.0% during the 2014 annual review of executive base salaries, reflecting individual performance and the Compensation Committee’s assessment of the competitive market. The base salary of Thomas Tipl, our Chief Operating Officer, was not increased in 2014, since he received a base salary increase in conjunction with the amendment to his employment agreement in December 2013. Please see “Executive Compensation—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” below.

### **Annual Cash Incentives and Other Performance-Based Bonuses**

Annual cash incentives under our Corporate Annual Incentive Plan paid to each of our named executive officers for 2014 ranged between 84% and 111% of target as a result of performance measured against the goals established by the Compensation Committee. For each of our named executive officers, 60% of his target opportunity under the Corporate Annual Incentive Plan was weighted based on financial measures (specifically, non-GAAP operating

income, non-GAAP diluted earnings per share and/or non-GAAP adjusted free cash flow), and 40% of his target opportunity was based on individual performance measures that the Compensation Committee believes supported the overall Company strategy and the officer's business unit objectives for the year. Please see "Executive Compensation—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses" below.

In accordance with the employment agreement we entered into with him in connection with the Vivendi Games Combination (as defined herein), Mr. Morhaime received an award for 2014 under the Morhaime Profit Sharing Plan. Please see "Executive Compensation—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses" below.

### **Additional Bonuses**

No discretionary cash awards were awarded to our named executive officers for 2014. In accordance with the employment agreement we entered into with him in connection with the Vivendi Games Combination, Mr. Morhaime received a payment for 2014 under the Blizzard Bonus Plan.

### **Equity Awards**

In October 2014, we extended the term of employment of our Chief Strategy and Talent Officer, Humam Sakhnini, through March 2017 (or, if we so elect, through March 2018). Mr. Sakhnini, the only named executive officer whose employment agreement was entered into, or amended, in 2014, received a combination of performance-based vesting restricted share units and stock options. He did not receive any time-based vesting restricted share units. Please see "Executive Compensation—Employment Agreements—Humam Sakhnini" below.

In December 2013, we extended the term of employment of Mr. Tippl through April 2016 (or, if we so elect, through April 2017). Mr. Tippl received equity awards during 2014 in connection with that 2013 extension of his employment. Please see "Executive Compensation—Employment Agreements—Thomas Tippl—Employment Agreement" below.

While our executives do not generally receive annual grants of equity, Mr. Morhaime's employment agreement, which was negotiated in connection with the Vivendi Games Combination, does provide for annual equity grants, consistent with the compensation Mr. Morhaime received at Vivendi Games prior to the consummation of the Vivendi Games Combination. Please see "Executive Compensation—Employment Agreements—Michael Morhaime" below.

•No other named executive officer received an equity award during 2014.



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The following table sets forth certain summarized 2014 compensation information with respect to the named executive officers. **For the complete Summary Compensation Table, including the notes which accompany it along with compensation for prior years, please see page 41.**

Name and Principal Position	Salary	Bonus	Stock Awards	Option Awards	Non-Equity	All Other Compensation	Total
					Incentive Plan Compensation		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Robert A. Kotick</b> President and Chief Executive Officer	2,196,616	—	—	—	4,595,173	87,023	6,878,812
<b>Dennis Durkin</b> Chief Financial Officer	713,737	—	—	—	597,248	17,855	1,328,840
<b>Thomas Tipl</b> Chief Operating Officer	1,254,807	2,000,000	10,400,018	—	1,970,862	33,969	15,659,656
<b>Michael Morhaime</b> President and Chief Executive Officer, Blizzard Entertainment	886,603	328,234	1,407,000	1,120,000	4,042,955	71,495	7,856,287
<b>Humam Sakhnini</b> Chief Strategy and Talent Officer	658,835	—	—	1,279,064	431,805	24,355	2,394,059

### 2014 Financial and Operational Highlights

2014 was another successful year for the Company, as we achieved record results and introduced new franchises with outstanding gameplay, expanded on exciting new business models and continued investing in some of the world's most important entertainment franchises. During 2014:

- We generated GAAP net revenues of \$4.41 billion and non-GAAP net revenues of \$4.81 billion.
- Our non-GAAP net revenues from digital channels<sup>(1)</sup> accounted for a record 46% of our total non-GAAP net revenues.
- Our 2014 GAAP operating margin was 27% and our non-GAAP operating margin was 32%.
- We delivered GAAP and non-GAAP diluted earnings per share of \$1.13 and \$1.42, respectively.
- We generated GAAP operating cash flow of almost \$1.3 billion.
- We delivered total shareholder return (*i.e.*, TSR) (through stock price appreciation and dividend payments) of over 14%.

Our financial performance was driven by our operational execution during 2014. Highlights included<sup>(2)</sup>:

Blizzard Entertainment launched *Warlords of Draenor*<sup>™</sup>, the fifth expansion for the #1 subscription-based massively multiplayer online role-playing game (i.e., MMORPG) in the world, *World of Warcraft*<sup>®</sup>. The expansion sold-through more than 3.3 million copies as of the first 24 hours of its availability and helped drive *World of Warcraft* to more than 10 million global subscribers at the end of 2014<sup>(3)</sup>.

Blizzard Entertainment's *Diablo II®: Reaper of Souls*<sup>™</sup> was the #1 top-selling role-playing game on PC and, including its expansion and digital sales, *Diablo III* has sold more than 20 million copies worldwide across all platforms.

Blizzard Entertainment released *Hearthstone®: Heroes of Warcraft*<sup>™</sup>, a free-to-play digital strategy card game, which had more than 25 million registered players as of January 2015 and received multiple "game of the year" awards and nominations.

Activision Publishing's *Call of Duty®: Advanced Warfare* was the #1 top-selling console game globally for the calendar year. Additionally, *Call of Duty* was the #1 franchise in North America for the sixth year in a row.

Activision Publishing's *Destiny* was the most successful launch of a new video game franchise in history. *Destiny* was also the #1 top-selling new video game IP and the #3 top-selling new release in North America and Europe, combined, for the calendar year.

Activision Publishing's *Skylanders*<sup>®</sup> franchise had the #1 top-selling kids console game globally for the fourth year in a row.

This performance was a direct result of the focused and disciplined approach followed by our top leadership prior to and during 2014, including continued investment in our established franchises, like *Call of Duty* and *World of Warcraft*, selectively introducing new concepts, like *Destiny* and *Hearthstone*, and managing our costs prudently.

(1) *Net revenues from digital online channels represents revenues from subscriptions, licensing royalties, value-added services, downloadable content, digitally distributed products and wireless devices.*

(2) *According to The NPD Group, GfK Chart-Track and Activision Blizzard internal estimates, as the case may be.*

*World of Warcraft subscribers include individuals who have paid a subscription fee or have an active prepaid card to play World of Warcraft, as well as those who have purchased the game and are within their free month of*

*(3) access. Internet Game Room players who have accessed the game over the last thirty days are also counted as subscribers. The above definition excludes all players under free promotional subscriptions, expired or cancelled subscriptions, and expired prepaid cards. Subscribers in licensees' territories are defined along the same rules.*

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## Corporate Governance Highlights

The Company is committed to adopting and following strong corporate governance practices that benefit all of our stakeholders. We believe that a foundation of good corporate governance creates an environment of accountability for our Board and senior management and otherwise promotes the long-term interests of our stakeholders. Our Board continues to monitor emerging best practices in governance and adopts measures where it determines them to be in the best interests of our stakeholders. Highlights of our corporate governance program include:

- Accountability
  - We elect all directors on an annual basis
  - Each share of our common stock outstanding that is entitled to vote on the record date is entitled to one vote per matter presented to our stockholders
- Board Composition
  - We have a separate Chairman and CEO
  - If our Board were to select our CEO to also serve as Chairman, the independent directors would, in accordance with our Corporate Governance Principles and Policies, consider the appointment of a lead independent director
  - Our independent directors meet in executive session at least two times a year
- Stock Ownership Guidelines
  - Our CEO is expected to beneficially own shares of our common stock with a value at least equal to three times his or her then-current annual base salary
  - Each other executive officer is expected to beneficially own shares of our common stock with a value at least equal to his or her then-current annual base salary
  - Each Board member not employed by us or any of our subsidiaries is each required to, within four years following his or her election to our Board, beneficially own shares of our common stock with a value at least equal to five times the annual cash retainer we then pay that director for regular service on the Board
- Anti-Hedging Policy
  - We prohibit hedging of company stock by our employees and directors
- Board Oversight of Risk
  - Our Board has responsibility for management oversight and providing strategic guidance to the Company
  - Our Board annually reviews the conclusions and recommendations of our management with respect to current and future potential strategic enterprise-level risks and strategies used to mitigate such risks
- Strategy
  - Our Board delegates certain risk management oversight functions to standing committees, each of which regularly reports to our Board
- Board Self-Evaluation
  - Our Board annually reviews its performance, as well as the performance of each of our standing committees
  - We have three standing committees—the Audit Committee, the Compensation Committee and the
- Board Committees
  - Nominating and Corporate Governance Committee, all of the members of each of which are independent
- Succession Planning
  - Our Board annually reviews succession plans for our senior-most officers
  - Our Nominating and Corporate Governance Committee oversees risks associated with overall governance and succession planning
  - Our Board actively participates in CEO succession planning





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## **PROXY STATEMENT**

### **GENERAL**

#### **Purpose of this Proxy Statement**

This proxy statement is furnished in connection with the solicitation by our Board of Directors (our “Board”) of proxies from holders of issued and outstanding shares of the Company’s common stock, par value \$0.000001 per share (“Common Stock”). The proxies being solicited will be used at the annual meeting of our stockholders to be held on Wednesday, June 3, 2015, in the Promenade Ballroom at the Shutters on the Beach hotel, One Pico Boulevard, Santa Monica, California 90405, at 9:00 a.m., Pacific Daylight Time, and at any adjournment or postponement of the meeting (the “Annual Meeting”).

#### **Notice of Internet Availability of Proxy Materials**

We will be mailing a notice regarding the internet availability of these proxy materials (containing instructions on how to access the proxy materials and vote shares through the internet) to stockholders on or about April 23, 2015.

#### **Other General Information**

All financial metrics used in this proxy statement are presented in accordance with generally accepted accounting principles, unless explicitly identified as non-GAAP. For information on the calculation and reconciliation of GAAP measures to non-GAAP measures, please see Appendix A attached to this proxy statement. Internally, management uses the financial measures identified herein as non-GAAP in assessing our operating results, as well as in planning and forecasting. In particular, the measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of Activision Blizzard by excluding certain items that may not be indicative of the Company’s core business, operating results or future outlook. As such, the performance of our executive officers is generally measured by reference to non-GAAP financial measures. Further, management believes that the presentation of these non-GAAP financial measures provides investors with additional useful information to measure Activision Blizzard’s financial and operating performance. These non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or as more important than, the financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the Company’s results of operations as determined in accordance with GAAP. In the future, Activision Blizzard may also consider whether other significant non-recurring items should also be excluded in calculating the non-GAAP financial measures used by the Company.

All references in this proxy statement to “the Company”, “we”, “us”, “our”, and “Activision Blizzard” refer to Activision Blizzard, Inc.

## **PROCEDURAL MATTERS**

### **Who may vote at the Annual Meeting?**

Only stockholders of record at the close of business on April 7, 2015, are entitled to notice of, and to vote at, the Annual Meeting. There were 725,982,511 shares of our Common Stock outstanding and entitled to vote on the record date.

A list of the stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder, for any purpose germane to the Annual Meeting, at the Annual Meeting and during ordinary business hours at our offices at 3100 Ocean Park Blvd., Santa Monica, California 90405 for the 10 days prior to the Annual Meeting.

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### **How many votes may I cast?**

Each share of our Common Stock outstanding and entitled to vote on the record date is entitled to one vote on each matter presented for action at the Annual Meeting.

### **What if I hold my shares through a broker? What is the difference between holding shares as a “stockholder of record” and as a “beneficial owner”?**

If your shares are held through a broker, bank or any other nominee, you hold your shares in “street name”, and you are considered the “beneficial owner” of those shares. This proxy statement and any accompanying materials have been provided to you by your broker, bank or other holder of record. As a beneficial owner, you are entitled to direct the firm that holds your shares how to vote your shares.

If your shares are registered in your name with our stock transfer agent, Continental Stock Transfer & Trust, you are the “stockholder of record”. This proxy statement and any accompanying materials have been provided to you directly by Activision Blizzard.

### **Can my broker vote my shares without my instruction? What are “broker non-votes”?**

If you are a beneficial owner and you do not provide voting instructions to the broker, bank or other nominee that holds your shares in its name, that firm is only allowed to exercise its discretion to vote your shares on “routine” matters, but will not be allowed to vote your shares with respect to “non-discretionary” items. Proposal 3—the ratification of PricewaterhouseCoopers LLP as the Company’s independent registered accounting firm public—is the only matter for consideration at the Annual Meeting considered to be routine. For all matters other than proposal 3, you must submit voting instructions to the firm that holds your shares if you want your vote to count. A “broker non-vote” will occur with respect to proposals 1 and 2 if you do not provide instructions to your broker, bank or other nominee with respect to them.

### **How many votes must be present in order for business to be conducted?**

In order for business to be conducted at the Annual Meeting, a quorum must be present. A quorum consists of a majority of the outstanding shares of our Common Stock entitled to vote at the Annual Meeting. Shares of our Common Stock present in person or by proxy (including any abstentions or broker non-votes) will be included for purposes of determining whether a quorum is present at the Annual Meeting.

**How can I cast my vote with respect to each proposal and how many votes are required to approve each proposal?**

Proposal	Voting Options	Vote Required to Adopt Proposal	Broker Discretionary Voting Allowed	Effect of Broker Non-Votes	Effect of Abstentions	Effect of Pres but Not Voted Shares
Election of Directors—Proposal 1	For, against or abstain with respect to each nominee	Affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting	No	No Effect	Against	Against
Advisory Vote to Approve Executive Compensation—Proposal 2	For, against or abstain	Affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting	No	No Effect	Against	Against
Ratification of Appointment of Independent Registered Public Accounting Firm—Proposal 3	For, against or abstain	Affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting	Yes	N/A	Against	Against

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## **What are the ways I can vote?**

Stockholders at the close of business on April 7, 2015, can vote at the Annual Meeting in person or via proxy in the manner described herein. Any stockholder who holds shares in street name through a broker, bank or other nominee will receive separate instructions from the firm holding his or her shares describing the procedure for voting those shares.

## **How do I vote in person at the Annual Meeting?**

Stockholders who wish to vote in person at the Annual Meeting must request a ballot at the meeting. Further, any street-name holder who wishes to vote in person at the Annual Meeting will need to obtain a proxy from the broker, bank or other nominee that is the record holder of his or her shares in order to cast a ballot at the meeting.

## **What does it mean to vote by proxy? Who represents my shares at the Annual Meeting?**

A vote via proxy authorizes Robert A. Kotick (our Chief Executive Officer), Thomas Tippl (our Chief Operating Officer) and Dennis Durkin (our Chief Financial Officer), and each of them, with full power of substitution, to vote and otherwise represent all of the shares that you are entitled to vote at the Annual Meeting, in accordance with your instructions, with the same effect as if you were present at the meeting and voting such shares.

## **How do I vote by proxy?**

Stockholders of record may vote by proxy in three ways:

**Vote by Internet.** Record holders can vote online prior to 4:00 p.m., Pacific Daylight Time, on June 2, 2015. Go to [www.cstproxyvote.com](http://www.cstproxyvote.com), which is available 24 hours a day until the deadline. You will need your “company ID”, “proxy number” and “account number”, all of which appear on the notice of internet availability of proxy materials or proxy card you received.

**Vote by Telephone.** Record holders can vote by phone prior to 4:00 p.m., Pacific Daylight Time, on June 2, 2015. Call (866) 894-0537, which is available 24 hours a day until the deadline. You will need your “company ID”, “proxy number” and “account number”, all of which appear on the notice of internet availability of proxy materials or proxy card you received.

**Vote by Mail.** Record holders can vote by mail if they received a printed copy of the proxy card. Complete and return that proxy card in the postage-paid envelope provided. If you are a stockholder of record and you choose to vote by mail, your vote will be counted so long as it is received prior to the closing of the polls at the meeting, but we urge you to complete, sign, date and return the proxy card as soon as possible.

You need only vote in one way (so that, if you vote by internet or telephone, you need not return the proxy card).

**What if I vote by proxy but do not provide specific instructions for some or all of the items?**

The shares of our Common Stock represented by all valid proxies we receive prior to the Annual Meeting that are not properly revoked prior to being voted at the Annual Meeting will be voted at the Annual Meeting as directed. If no directions are specified, those proxies will be voted FOR each of the eight director nominees named in this proxy statement (proposal 1), FOR the advisory approval of the Company's executive compensation, as disclosed in this proxy statement (proposal 2), and FOR the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2015 (proposal 3).

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**If I have voted by proxy, can I change my vote?**

Any stockholder of record may revoke or change that stockholder's proxy at any time before the proxy is voted at the Annual Meeting by (1) sending a written notice of revocation of the proxy to our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Blvd., Santa Monica, California 90405, (2) properly delivering a subsequently dated proxy, or (3) voting in person at the Annual Meeting.

**What do I need to do if I want to attend the Annual Meeting?**

You should be prepared to present a valid form of photo identification, such as a driver's license, state-issued ID card or passport, to gain admittance to the Annual Meeting. In addition, if you are a stockholder of record, your ownership as of the record date must be verified by reference to our records prior to admittance into the Annual Meeting. If you hold shares in street name through a broker, bank or other nominee, you must provide proof of beneficial ownership as of the record date, such as a brokerage account statement or similar evidence of ownership. If you do not provide valid photo identification and otherwise comply with the procedures outlined above, you may not be admitted to the Annual Meeting. Directions to the Annual Meeting can be obtained by contacting our Investor Relations department by calling (310) 255-2000 or by emailing [ir@activision.com](mailto:ir@activision.com).

**Will I have dissenters' rights in connection with the business being considered?**

Stockholders have no dissenters' rights or rights of appraisal under Delaware law, our Certificate of Incorporation or our Bylaws in connection with the election of directors (proposal 1), proposals 2 or 3.



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## **PROPOSAL 1 ELECTION OF DIRECTORS**

### **General**

Stockholders will elect eight directors at the Annual Meeting. Those elected will serve one-year terms and until their respective successors are duly elected or appointed and qualified or until the earlier of their death, resignation or removal. Except where otherwise instructed, proxies solicited by this proxy statement will be voted for the election of each nominee. However, if any nominee becomes unable to stand for election as a director at the Annual Meeting, the proxy may be voted for a substitute designated in accordance with our Bylaws.

### **Director Nominees**

In order to have a knowledgeable Board comprised of individuals with distinguished records of leadership and success, the Nominating and Corporate Governance Committee has established criteria and assessed each director nominee's capabilities to identify the contributions he or she can make to our Board. As a company with a global customer base in the entertainment software industry, we consider leadership abilities gained from senior roles as executive officers or board members of large, global corporations in the entertainment field to be particularly relevant to the business of the Company. We believe that our directors bring to our Board the practical wisdom and strong professional characteristics, judgment and leadership abilities necessary to keep our Company performing competitively in the market. For the qualifications we require our directors (and director nominees) to have, see "Corporate Governance Matters—Board of Directors and Committees—Identification of Candidates for Election to our Board—Experience, Skills and Other Characteristics of our Director Candidates" below.

The following are biographical summaries of our director nominees, which describe their noteworthy experience. Also described below are certain individual qualifications and skills of each of our directors that we believe contribute to our Board's effectiveness and success. For information regarding each nominee's current Board committee membership, if any, see "Corporate Governance Matters—Board of Directors and Committees—Board Committees" below.

#### ***Robert J. Corti***

**Chairman of the Avon Foundation**

**Director since 2003**

**Age 65**

*Business Experience.* Mr. Corti has been a director of Activision Blizzard since December 2003. Mr. Corti has more than 25 years of experience at Avon Products, a global manufacturer and marketer of beauty and related products. Mr.

Corti joined Avon Products' tax department as a tax associate in 1976 and held positions of increasing responsibility in the company's finance department throughout his tenure there, including serving as an executive vice president and the chief financial officer of Avon Products from 1998 until he retired from the chief financial officer role in November 2005 and as an executive vice president in March 2006. Mr. Corti has served on the board of directors of Bacardi Limited, a wine and spirits group, since June 2006. In addition, Mr. Corti has served as a member of the board of directors of the Avon Foundation since 1998 and its chairman since 2006 and as a member of the Manhattan Chapter of the Cystic Fibrosis Foundation since January 2012, where he serves as the president of the board. In addition, he was a director of ING Direct, then a U.S. subsidiary of the Dutch insurance conglomerate, the ING Groep, from January 2008 until January 2012. 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.

Mr. Corti's qualifications for election to our Board include his financial expertise, in particular his wealth of accounting and tax experience, gleaned in part from his long tenure in Avon's finance department. Having served Avon for more than 25 years and worked his way up to increasingly senior roles within that organization, Mr. Corti offers the unique perspective of having helped to guide a large public company with international operations through the changing economic and competitive landscape for over two and a half decades. From his tenure at Avon, Mr. Corti also brings experience in the consumer products industry. Mr. Corti qualifies as an audit committee financial expert (as defined in the applicable rules of the Securities and Exchange Commission (the "SEC")) and is financially sophisticated within the meaning of the NASDAQ Rules.

***Brian G. Kelly***

**Chairman of the Board of Activision Blizzard**

**Director since 1995**

**Age 52**

*Business Experience.* Mr. Kelly has held various positions of responsibility with Activision Blizzard since 1991, including serving as a director of the Company since July 1995 and as the Co-Chairman of our Board from October 1998 until the October 2013 consummation of the transactions contemplated by the Vivendi Share Purchase Agreement (as defined herein). Mr. Kelly has served as the Chairman of our Board since the consummation of those transactions. Mr. Kelly holds a B.A. degree in accounting from Rutgers University and a J.D. degree from Fordham University School of Law.

Mr. Kelly's qualifications for election to our Board include the depth of institutional knowledge and understanding of our organization he possesses by virtue of his service as an executive of the Company from 1991 until the Vivendi Games Combination and as a director for more than 18 years. During that time, he has demonstrated his superior leadership skills, his devotion to the Company and his commitment to helping to ensure our ongoing success.

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**Robert A. Kotick**

**President and Chief Executive Officer of Activision Blizzard**

**Director since 1991**

**Age 52**

*Business Experience.* Mr. Kotick has been a director of Activision Blizzard since February 1991, following his purchase of a significant interest in the Company, which was then on the verge of insolvency. Mr. Kotick was our Chairman and Chief Executive Officer from February 1991 until July 2008, when he became our President and Chief Executive Officer in connection with the Vivendi Games Combination. Mr. Kotick is also a member of the board of directors of The Coca-Cola Company, a multinational beverage corporation, and the boards of trustees for The Center for Early Education and the Harvard-Westlake School. He is also vice chairman of the board and chairman of the committee of trustees of the Los Angeles County Museum of Art. In addition, Mr. Kotick is the founder and co-chairman of the Call of Duty Endowment, a nonprofit, public benefit corporation that seeks to help organizations that provide job placement and training services for veterans. Additionally, he served on the board of directors of Yahoo!, Inc., an internet content and service provider, from 2003 until 2008.

*Skills and Qualifications.* Mr. Kotick's qualifications for election to our Board include the depth of institutional knowledge and understanding of our organization, as well as the practical experience in a chief executive officer role, that he possesses by virtue of his two decades of service to the Company, including as our President and Chief Executive Officer and, previously, as the Chairman of our Board. Mr. Kotick also brings to the Company his perspective as a board member at a variety of other organizations and his experience in helping those organizations achieve their diverse goals and overcome a wide range of challenges through changing economic and social times.

**Barry Meyer**

**Former Chairman and CEO of Warner Brothers Entertainment**

**Director Since 2014**

**Age 71**

*Business Experience.* Mr. Meyer joined our Board in January 2014. At the end of 2013, Mr. Meyer retired as the chairman of Warner Brothers Entertainment Inc., an American producer of film, television, and music entertainment. He joined Warner Brothers as a director of business affairs in 1971 and held positions of increasing responsibility throughout his tenure there, eventually serving as Warner Brothers' chief executive officer and chairman from October 1999 until March 2013 and as chairman through December 2013. Mr. Meyer co-founded the consulting firm North Ten Mile Associates, LLC following his retirement from Warner Brothers, and currently serves as the manager and co-chief executive officer of that firm. Mr. Meyer is a member of the board of councilors of the USC School of Cinematic Arts, a member of the Academy of Motion Picture Arts & Sciences, a member and former governor of the Academy of Television Arts & Sciences, and a member and former director of the Hollywood Radio and Television Society. He also serves on the boards of directors of the Federal Reserve Bank of San Francisco and of Human Rights Watch, and on the advisory board of the Smithsonian National Museum of American History. Mr. Meyer holds a B.A. degree in English from the University of Rochester and a J.D. degree from Case Western Reserve University School

of Law.

*Skills and Qualifications.* Mr. Meyer's qualifications for election to our Board include over 40 years of leadership and managerial experience in one of the largest entertainment production companies in the world, including serving as its chief executive officer. Mr. Meyer possesses in-depth knowledge of both the business and creative aspects of the entertainment industry, both from his years at Warner Brothers and the leadership positions he held in various cultural institutions dedicated to visual and cinematic arts. Mr. Meyer brings with him a wealth of experience in nearly every facet of the entertainment industry, as well as a deep understanding of the unique challenges faced by large, multinational public companies.

***Robert J. Morgado***

**Former Chairman and CEO of Warner Music Group**

**Director Since 1997**

**Age 72**

*Business Experience.* Mr. Morgado has been a director of Activision Blizzard since February 1997. Mr. Morgado is chairman of Maroley Media Group, a media entertainment investment company he established in 1995. He previously served as the chairman and the chief executive officer of Warner Music Group, a music content company comprised of recorded music and music publishing businesses, from 1985 to 1995. Mr. Morgado serves on the board of directors of the Maui Arts & Cultural Center. He is also a member of the board of managers of Nest Top, the controlling shareholder of Nest Family and Nest Learning Systems, a children's entertainment company, and Kaanapali Kai, a real estate investment company, where he serves as its chairman. Mr. Morgado holds a B.A. degree in history and philosophy from Chaminade University of Honolulu and an M.P.A. degree from The State University of New York.

*Skills and Qualifications.* Mr. Morgado's qualifications for election to our Board include his extensive experience as a chief executive officer and a director at a variety of media and entertainment companies and his perspective as the founder and chairman of a media entertainment investment company. Mr. Morgado qualifies as an audit committee financial expert (as defined in the applicable rules of the SEC) and is financially sophisticated within the meaning of the NASDAQ Rules.

***Peter Nolan***

**Senior Advisor to Leonard Green & Partners**

**Director Since 2013**

**Age 56**

*Business Experience.* Mr. Nolan became a director of Activision Blizzard in October 2013. Mr. Nolan is a senior advisor to Leonard Green & Partners, L.P., a private equity firm and one of the limited partners of ASAC (as defined

below), and was previously the managing partner of Leonard Green & Partners. Prior to becoming a partner at Leonard Green & Partners in 1997, Mr. Nolan served as a managing director and the co-head of Donaldson, Lufkin and Jenrette's Los Angeles Investment Banking Division from 1990 to 1997, as a first vice president in corporate finance at Drexel Burnham Lambert from 1986 to 1990, and as a vice president at Prudential Securities, Inc. from 1982 to 1986. Prior to 1982, Mr. Nolan was an associate at Manufacturers Hanover Trust Company. Mr. Nolan currently serves on the boards of directors of AerSale Holdings, Inc., Aspen Dental Management, Inc., Motorsport Aftermarket Group, The Palms Hotel and Casino, and Scitor Corporation, all of which are companies in which Leonard Green & Partners has an ownership interest. Mr. Nolan served on the Company's Board from December 2003 until July 2008, when he resigned in connection with the consummation of the Vivendi Games Combination. Mr. Nolan holds a B.S. degree in agricultural economics and finance and an M.B.A. degree, both from Cornell University.

*Skills and Qualifications.* Mr. Nolan's qualifications for election to our Board include his extensive experience in corporate finance and investment banking, including leadership roles at large international corporations with worldwide operations. His extensive and wide-ranging experience is demonstrated by his current directorships in five other companies operating in various industries. Mr. Nolan also brings with him a depth of institutional knowledge about the Company from his service on our Board from 2003 to 2008.

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***Richard Sarnoff***

**Managing Director at Kohlberg Kravis Roberts & Co.**

**Director Since 2005**

**Age 56**

*Business Experience.* Mr. Sarnoff has been a director of Activision Blizzard since August 2005. He has served as managing director of the private equity platform in the Americas of Kohlberg Kravis Roberts & Co., a private equity firm, since July 2014, and was a senior advisor to KKR from January 2011 to July 2014. Prior to joining KKR, Mr. Sarnoff was employed by Bertelsmann AG, a diversified media and services company, where he served as the co-chairman of Bertelsmann, Inc. and the president of Bertelsmann Digital Media Investments from 2008 until January 2011. Prior to those roles, Mr. Sarnoff served as an executive vice president and the chief financial officer of Random House, Inc., a general trade book publisher and a subsidiary of Bertelsmann. Mr. Sarnoff also served as a member of the supervisory board of Bertelsmann AG from 2002 to 2008 and was a director of the Princeton Review, an educational preparation company, from 2000 to 2009, a director of Audible, Inc., a provider of spoken audio entertainment, information and educational programming, from 2001 to 2008, and a director of Amdocs, Inc., a provider of software and services to the telecommunications industry, from 2009 to 2011. During the period from 2005 to 2009, he was also the vice-chairman and, then, the chairman of the board of the American Association of Publishers. Mr. Sarnoff currently serves on the boards of directors of Weld North, LLC, an investment affiliate of KKR, Cengage Learning, an educational services company owned by KKR, and Chegg, Inc., an educational services company. Mr. Sarnoff holds a B.A. degree in art history from Princeton University and an M.B.A. degree from Harvard Business School.

*Skills and Qualifications.* Mr. Sarnoff's qualifications for election to our Board include his experience serving as a chief financial officer and in a variety of other senior leadership roles both inside and outside of the media, entertainment and digital technology industries. He also brings to the Company strong leadership skills and business acumen, gained in part through his years of service on the boards of large, international public companies competing in diverse markets. Mr. Sarnoff qualifies as an audit committee financial expert (as defined in the applicable rules of the SEC) and is financially sophisticated within the meaning of the NASDAQ Rules.

***Elaine Wynn***

**Co-founder of Wynn Resorts**

**Director Since 2013**

**Age 72**

*Business Experience.* Ms. Wynn became a director of Activision Blizzard in October 2013. Ms. Wynn is a co-founder of Wynn Resorts, a developer and operator of high-end hotels and casinos, and has served as a director of the company since its inception in 2002. Prior to her current position, Ms. Wynn served in a similar capacity as director of Mirage Resorts from 1976 to 2000. Ms. Wynn is the founding chairman of Communities in Schools of Nevada and the chairman of the national board of Communities in Schools. In addition, Ms. Wynn is president of the Nevada State Board of Education. She is also on the board of trustees of the Los Angeles County Museum of Art, the board of

trustees of the Kennedy Center for the Performing Arts, the board of the Library of Congress Trust Fund and the board of governors of the Basketball Hall of Fame. Ms. Wynn holds a B.A. in political science from George Washington University.

*Skills and Qualifications.* Ms. Wynn's qualifications for election to our Board include her extensive experience in the entertainment field, stemming from her lengthy service as director of one of the top resort and casino companies in the world. Ms. Wynn also possesses strong leadership skills, illustrated by her numerous chairmanships in state and national-level organizations dedicated to educational reform, where she received numerous accolades for her service. Ms. Wynn's strong and practical leadership experience, as well as her in-depth knowledge about the operation of a large, international public company, demonstrates her aptitude for serving as director of the Company.

### **Required Vote and Board Recommendation**

Each director is elected by the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

Mr. Kotick, our Chief Executive Officer, and Mr. Kelly, the Chairman of our Board, may direct the voting of the shares held by ASAC II LP, an exempted limited partnership established under the laws of the Cayman Islands ("ASAC"), and acting by ASAC II LLC, its general partner. Messrs. Kotick and Kelly may also direct the voting of shares they beneficially own at their discretion, except they have agreed to vote any such shares which, when aggregated with ASAC's shares, represent shares of our Common Stock in excess of 24.9% (or, if the Settlement Agreement (as defined herein) is approved and the ASAC Stockholders Agreement (as defined herein) is amended in the manner contemplated by the Settlement Agreement prior to the Annual Meeting, 19.9%) of the issued and outstanding Common Stock either in a manner proportionally consistent with the vote of the shares of Common Stock not owned by them or ASAC or in accordance with the recommendation, if any, of a majority of the members of our Board not affiliated with ASAC. As of the record date for the Annual Meeting, ASAC and Messrs. Kotick and Kelly collectively held shares representing approximately 24.6% of our issued and outstanding Common Stock. Messrs. Kotick and Kelly are expected to vote the shares over which they have discretion FOR the election of each of the director nominees. For more information see "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—ASAC Stockholders Agreement" and "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—Settlement of Litigation Relating to 2013 Vivendi Share Repurchase Transaction" below.

**The Board unanimously recommends that you vote FOR the election of each nominee for director.**

[Back to Contents](#)**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information, as of December 31, 2014, with respect to shares of our Common Stock that may be issued under our existing equity compensation plans.

Plan Category	Number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup> (#)	Weighted average exercise price of outstanding options, warrants and rights <sup>(2)</sup> (\$)	Number of shares of Common Stock remaining available for future issuance under equity compensation plans (#)	
<b>Equity compensation plans approved by stockholders:</b>				
Activision, Inc. 2001 Incentive Plan, as amended (the "2001 Plan")	101,750	8.73	—	(3)
Activision, Inc. 2003 Incentive Plan, as amended (the "2003 Plan")	2,022,207	8.42	—	(3)
Activision, Inc. 2007 Incentive Plan (the "2007 Plan")	7,623,600	14.46	—	(3)
Activision Blizzard, Inc. 2008 Incentive Plan, as amended and restated (the "2008 Plan")	29,332,199	13.23	—	(3)
Activision Blizzard, Inc. 2014 Incentive Plan (the "2014 Plan" <sup>(4)</sup> )	8,243,261	20.39	41,358,770	(5)
<b>All stockholder approved plans</b>	<b>47,323,017</b>	<b>14.53</b>	<b>41,358,770</b>	
<b>Equity compensation plans not approved by stockholders:</b>				
Activision, Inc. 1999 Incentive Plan, as amended (the "1999 Plan" <sup>(6)</sup> )	34,400	7.00	—	(3)
Activision, Inc. 2002 Incentive Plan, as amended (the "2002 Plan" <sup>(7)</sup> )	99,440	7.26	—	(3)
<b>All non-stockholder approved plans</b>	<b>133,840</b>	<b>7.20</b>	<b>—</b>	
<b>TOTAL</b>	<b>47,456,857</b>	<b>14.50</b>	<b>41,358,770</b>	

*Reflects options to purchase shares of our Common Stock and, in the case of the 2008 Plan, 11,538,580 restricted share units, 2,622,988 of which have vesting tied to performance, and 3,646,972 performance shares, each (1) reflecting the right to receive a share of our Common Stock, and, in the case of the 2014 Plan, 2,784,996 restricted share units, 2,430,034 of which have vesting tied to performance, each reflecting the right to receive a share of our Common Stock.*

*(2) As there is no exercise price for restricted share units or performance shares, the values in this column represent the weighted average exercise price of any outstanding stock options under the relevant plan.*

*Upon adoption of the 2008 Plan, we ceased making awards under each of the following plans, although each remains in effect and continues to govern outstanding awards thereunder: the 2001 Plan; the 2003 Plan; the 2007 (3) Plan; the 1999 Plan; and the 2002 Plan. Similarly, upon the adoption of the 2014 Plan, we ceased making awards under the 2008 Plan. The 2001 Plan, the 2003 Plan, the 2007 Plan, the 2008 Plan, the 1999 Plan and the 2002 Plan are collectively referred to herein as the "Rolled Up Plans".*

*The 2014 Plan permits the granting of non-qualified stock options, incentive stock options ("ISOs"), stock (4) appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units and any other equity-based awards to our and any of our subsidiaries' directors, officers and other employees and consultants.*



*The number of shares reserved for issuance under the 2014 Plan may be increased from time to time by: (X) the number of shares relating to awards outstanding under any Rolled Up Plan that: (a) expire, or are forfeited, terminated or canceled, without the issuance of shares; (b) are settled in cash in lieu of shares; or (c) are exchanged, prior to the issuance of shares of our Common Stock, for awards not involving our Common Stock; (Y) if the exercise price of any stock option outstanding under any Rolled Up Plan is, or the tax withholding requirements with respect to any award outstanding under any Rolled Up Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares; and (Z) if a SAR is exercised and settled in shares, the number of shares equal to the difference between the total number of shares with respect to which the award is exercised and the number of shares actually issued or transferred.*

*(5) On April 26, 1999, our Board approved the 1999 Plan. The 1999 Plan permitted the granting of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards and other equity-based awards to our or any of our subsidiaries' directors, officers, key employees, consultants, representatives and other agents, but only non-qualified stock options have been granted thereunder. All stock options granted under the 1999 Plan have an exercise price equal to the fair market value of a share of our Common Stock on the date of grant and a term of 10 years and they generally vest on a pro rata basis over a specified period of time or vest in their entirety on an anniversary of the date of grant (subject to possible earlier vesting if certain performance objectives are satisfied). The 1999 Plan expired on May 31, 2009; however, we ceased making awards under the 1999 Plan upon adoption of the 2007 Plan.*

*(6) On April 4, 2002, our Board approved the 2002 Plan. The 2002 Plan permitted the granting of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards and other equity-based awards to our or any of our subsidiaries' or affiliates' officers (other than executive officers), employees, consultants and advisors, but only non-qualified stock options have been granted thereunder. All stock options granted under the 2002 Plan have an exercise price equal to the fair market value of a share of our Common Stock on the date of grant and a term of 10 years and they generally vest on a pro rata basis over a specified period of time or vest in their entirety on an anniversary of the date of grant (subject to possible earlier vesting if certain performance objectives are satisfied). The 2002 Plan expired on April 3, 2012; however, we ceased making awards under the 2002 Plan upon adoption of the 2007 Plan.*

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## **CORPORATE GOVERNANCE MATTERS**

### **Overview**

Our Board has long adhered to governance principles designed to assure its continued vitality and excellence in the execution of its duties. Our Board has responsibility for management oversight and providing strategic guidance to the Company. Our Board believes that it must remain well-informed about the issues, risks and opportunities facing the Company so that our Board members can exercise their fiduciary responsibilities to all of our stockholders. Our Board recognizes the importance of constantly improving our corporate governance practices and is committed to regularly reviewing the specific elements of our corporate governance framework and making changes to them when the Board deems them to be in the best interests of the Company and stockholders.

### **Board of Directors and Committees**

#### **Identification of Candidates for Election to our Board**

#### **Nominating and Corporate Governance Committee Process**

Pursuant to our Corporate Governance Principles and Policies and the Nominating and Corporate Governance Committee's charter, copies of both of which can be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>, the Nominating and Corporate Governance Committee identifies and evaluates potential candidates to serve as members of our Board. The committee may consider candidates suggested by its members, other directors, senior management or stockholders and may, at the Company's expense, retain search firms, consultants and other advisors to identify, screen and/or evaluate candidates. Candidates may be interviewed in person by directors and management.

The Nominating and Corporate Governance Committee will consider nominating persons who are submitted by stockholders, subject to the limitations described immediately below.

#### **Stockholder Recommendation of Director Candidates**

In accordance with our Corporate Governance Principles and Policies, our stockholders may nominate persons who qualify as independent under the NASDAQ Rules to serve as directors. The Nominating and Corporate Governance Committee will review the qualifications of, and make recommendations to our Board regarding, any such nomination which is submitted to us in writing and includes the following information:

the name, address, phone number and email address of the stockholder and evidence of the stockholder's ownership of our Common Stock, including the number of shares beneficially owned by such person and the length of time of ownership;

the name of the director candidate, the candidate's address, phone number and email address, the candidate's resume or a list of his or her qualifications to be a director of Activision Blizzard and the candidate's consent to be named a director if nominated; and

a description of any arrangements or understandings between the stockholder and the director candidate and any other persons (including those persons' names), pursuant to which the recommendation is made.

In addition, stockholders may submit candidates for election as directors in accordance with our Bylaws, as described under "Director Nominations and Other Stockholder Proposals for 2016 Annual Meeting; Communicating with the Board" below.

### **Experience, Skills and Other Characteristics of Our Director Candidates**

In accordance with our Corporate Governance Principles and Policies, all director nominees, whether or not they are incumbent directors, should have the appropriate experience, skills and other characteristics required of Board members, assessed in the context of the perceived needs of our Board at the time, including:

#### **Experience, Skills and Other Characteristics**

Accounting/finance	Corporate governance
Entertainment industry background	Legal and regulatory knowledge
Strategic planning	International operations

In accordance with the Nominating and Corporate Governance Committee's charter, the Nominating and Corporate Governance Committee, in its selection of director candidates, considers the following attributes, among others: experience, knowledge, skills, expertise, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication and independence. The committee evaluates each director nominee's experience, skills and other characteristics to ensure that they are consistent with the interests of our stockholders and complementary with the existing Board's composition and needs. In doing so, it considers whether the nominee has experience or skills in the areas of entertainment, international operations, strategic planning, corporate



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governance, accounting and finance, law or other areas that are relevant to the Company's activities and our Board's effectiveness. It also takes diversity into account, seeking to ensure a representation of diverse perspectives and experience, although the Company's nominating procedures and policies do not prescribe specific standards for diversity.

Additionally, in accordance with its charter, the Nominating and Corporate Governance Committee annually oversees evaluations of our Board, the Board's committees and individual directors that assess the experience, skills, qualifications, diversity and contributions of each individual director, each standing committee of the Board and of the Board as a whole.

### **Independence Determinations**

In making its determination regarding director independence, our Board reviews and discusses all relevant information regarding each director's relationships, transactions or arrangements, as required by the independence guidelines of the NASDAQ Rules, including current and prior relationships that each director or any of his or her family members has with the Company, our executive management and our independent accounting firm. To assist our Board in making these determinations, each director is required to complete a questionnaire on an annual basis.

Based on the information provided by each director concerning his or her background, employment and affiliations, our Board affirmatively determined that each of Messrs. Corti, Meyer, Morgado, Nolan and Sarnoff and Ms. Wynn is an independent director within the meaning of the NASDAQ Rules. Accordingly, the Board believes there are no such relationships or activities between the Company and any of them that require further review by the Board or that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, as none of these directors has a direct or indirect material relationship with the Company.

### **Board Leadership Structure**

Our Board of Directors is led by the chairman of our Board, and that person does not also serve as our chief executive officer. The Board feels that this division is appropriate because our chief executive officer is responsible for the day-to-day management of the Company, while the primary responsibility of our Board is to oversee the chief executive officer's performance of his or her function. Having different individuals serve as the chairman and the chief executive officer allows the chief executive officer to focus on his or her operational responsibilities, while keeping a measure of independence between the oversight function of our Board and those operating decisions. If our Board were to select our chief executive officer to serve as chairman, the independent directors would, in accordance with our Corporate Governance Principles and Policies, consider the appointment of a lead independent director.

## **Other Directorates**

Pursuant to our Corporate Governance Principles and Policies, our directors must obtain the approval of the Nominating and Corporate Governance Committee before accepting any board membership at another publicly held company and in no case can any director serve on the boards of more than four other publicly held companies.

## **Offer of Resignation Upon Change in Professional Role**

Pursuant to our Corporate Governance Principles and Policies, unless the Nominating and Corporate Governance Committee determines otherwise, if an independent director retires, changes employment or otherwise has a significant change in his or her professional role or responsibilities that may reasonably be seen to affect his or her ability to serve, he or she must offer to resign from our Board. Similarly, unless our Board or the Nominating and Corporate Governance Committee determines otherwise, or he or she has an agreement with us to the contrary, if an employee director retires, resigns or otherwise has a significant change in his or her professional role or responsibilities, he or she must offer his or her resignation from our Board.

Our Board or, at our Board's discretion, the Nominating and Corporate Governance Committee will consider whether the continued service of any director so offering to resign is appropriate in light of that change and, if our Board or the Nominating and Corporate Governance Committee determines that the director continues to contribute significantly to the Company, his or her membership on our Board may continue.

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## **Board Meetings**

In accordance with our Corporate Governance Principles and Policies, our Board must meet at least quarterly and in conjunction with the annual meeting of our stockholders. Our Board met seven times during 2014, including at least once per quarter and in conjunction with the 2014 annual meeting of our stockholders. Each person who served on our Board during 2014 attended at least 89% of the aggregate of (1) the total number of meetings held by our Board during the period for which he or she was a director and (2) the total number of meetings held by each committee on which he or she served during the period in which he or she so served during the year.

Our Corporate Governance Principles and Policies also require that the independent directors meet in executive session outside of the presence of management at least two times per year. Those directors met in executive session twice during 2014.

All persons serving as directors at the time attended the 2014 annual meeting and all directors are expected to attend the Annual Meeting.

## **Annual Board Self-Evaluation**

In accordance with our Corporate Governance Principles and Policies, the Nominating and Corporate Governance Committee annually evaluates our Board's overall performance, the overall performance of each of the Board's standing committees and the performance of each individual director.

## **Board Committees**

Our Board has three standing committees—the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee—each of which operates under a written charter approved by our Board. Further, from time to time, our Board may form special or *ad hoc* committees to which the Board delegates authority to administer certain of its duties.

The following table shows the membership of our Board's standing committees and the subcommittees of those committees since January 2014:

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
------	-----------------	------------------------	---

Robert J. Corti

Brian G. Kelly

Robert A. Kotick

Barry Meyer

Robert J. Morgado

(1)

Peter Nolan

Richard Sarnoff

Elaine Wynn

*Chairperson*

*Member of the Executive Nominating Committee until its dissolution in January 2014 and of the Vivendi*

*(1) Nominating Committee and the Independent Nominating Committee until their respective dissolutions in April 2015.*

### **Audit Committee**

Our Audit Committee's charter, which describes the composition and responsibilities of the committee, may be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>.

With respect to membership on the Audit Committee, the charter currently provides that the committee must have at least three members and that:

all Audit Committee members must be determined by the Board to be independent directors under the NASDAQ

- Rules and the rules of the SEC and otherwise satisfy the NASDAQ Rules with respect to audit committee membership;

no director may serve as a member of the Audit Committee if that director serves on the audit committees of more

- than two other public companies, unless our Board determines that the simultaneous service would not impair the ability of that director to effectively serve on the Audit Committee;

- all Audit Committee members must understand fundamental financial statements;

- at least one Audit Committee member must be designated by the Board as an "audit committee financial expert" as defined in the applicable rules of the SEC; and

no Audit Committee member can have participated in the preparation of the financial statements of Activision

- Blizzard or any of our current subsidiaries at any time during the three years prior to the proposed appointment of that Audit Committee member.



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Further, the NASDAQ Rules require that at least one Audit Committee member meets the financial sophistication requirements set forth in those rules.

The current members of the Audit Committee are Messrs. Corti, Morgado and Sarnoff. Based upon information provided by each director concerning his background, employment and affiliations, our Board has determined that each member of the Audit Committee is an independent director under the NASDAQ Rules and the rules of the SEC and that each otherwise satisfies the NASDAQ requirements for audit committee membership (including that each meets the independence criteria set forth in Exchange Act Rule 10A-3 and is able to read and understand fundamental financial statements). Our Board has also determined that each Audit Committee member is an audit committee financial expert as defined in the applicable rules of the SEC and that each is financially sophisticated within the meaning of the NASDAQ Rules.

The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of Activision Blizzard and our subsidiaries and the audits of our financial statements and internal control over financial reporting. The Audit Committee's responsibilities include:

- selecting, evaluating and overseeing our independent registered public accounting firm, including determining that firm's compensation and evaluating that firm's independence;
- overseeing our annual audit and quarterly reviews;
- overseeing our financial reporting process and internal controls, including:
  - reviewing and discussing with the independent auditors the results of the annual audit of our financial statements, including any comments or recommendations of our independent registered public accounting firm, and, based on that review and discussions and other considerations, recommending to our Board whether our financial statements should be included in our Annual Report on Form 10-K; and
  - discussing with our management the Company's process for assessing and managing our exposure to risk;
- overseeing policies regarding hiring employees from our independent registered public accounting firm and establishing procedures for the receipt and retention of accounting-related complaints and concerns; and
- overseeing our policies relating to the ethical handling of conflicts of interest, including related party transactions.

Our independent registered public accounting firm reports directly to the Audit Committee.

Before we or any of our subsidiaries engage our independent registered public accounting firm to render audit or non-audit services, the Audit Committee must pre-approve the engagement. See "Audit-Related Matters—Pre-Approval Policies and Procedures" below for further detail. The Audit Committee's charter authorizes it to engage independent counsel or other consultants or advisors, as it deems appropriate.

In accordance with our Corporate Governance Principles and Policies and the Audit Committee's charter, the Audit Committee must meet at least quarterly. The Audit Committee met six times during 2014, including at least once quarterly.

## **Compensation Committee**

Our Compensation Committee's charter, which describes the composition and responsibilities of the committee, may be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>.

## **Membership and Responsibilities**

With respect to membership on the Compensation Committee, the charter currently provides that the committee must have at least two members, both of whom must be:

- “non-employee directors” as defined in Rule 16b-3 under the Exchange Act;
- “outside directors” as defined under Section 162(m) (“Section 162(m)”) of the Internal Revenue Code, as amended (the “Internal Revenue Code”); and
- determined by the Board to be independent directors under the NASDAQ Rules.

The current members of the Compensation Committee are Mr. Corti, Mr. Morgado and Ms. Wynn. Based upon information provided by each director concerning his or her background, employment and affiliations, our Board has determined that each member of the Compensation Committee is an outside director as defined under Section 162(m), a non-employee director as defined in Rule 16b-3 under the Exchange Act and an independent director under the NASDAQ Rules. Our Board has also determined that none of the members of the Compensation Committee has a relationship to the Company that is material to such director's ability to be independent from management in connection with the duties of a Compensation Committee member.

The Compensation Committee discharges our Board's responsibilities relating to compensation paid to our directors and executive officers and evaluates and makes recommendations to our Board regarding compensation under our equity incentive plans and other compensation policies, programs, agreements and arrangements. Please see “Executive Compensation—Compensation Discussion and Analysis—Decision-Making Approach to Compensation for Executive Officers—Roles of the Key Participants in the Executive Compensation Decision-Making Process” and “—Compensation Risk Management” below for a description of such responsibilities. The Compensation Committee is also responsible for:

- reviewing and discussing compensation-related disclosure with our management, including in our proxy statement and annual report; and

- overseeing any proposals we submit to our stockholders on matters relating to executive compensation, including advisory votes on compensation and the frequency of such votes and approval of compensatory plans and any amendments to such plans.

The Compensation Committee may delegate its authority and duties to subcommittees, individual committee members or management, as it deems appropriate, in accordance with applicable laws, rules and regulations, provided that no subcommittee may consist of fewer than two members. As further described in “Executive Compensation—Compensation Discussion and Analysis—Decision-Making Approach to Compensation for Executive Officers—Roles of the Key Participants in the Executive Compensation Decision-Making Process”, the Compensation Committee consults with our management in formulating compensation plans, but ultimately the Compensation Committee exercises independent judgment in establishing our executive compensation program.

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In accordance with our Corporate Governance Principles and Policies, the Compensation Committee must meet at least four times annually. The Compensation Committee met eight times during 2014.

### **Engagement of Compensation Consultants**

The Compensation Committee's charter authorizes it to engage independent counsel or other consultants or advisors, including compensation consultants, to advise the Compensation Committee with respect to compensation and benefits for our directors and our executives and other employees. Since October 2013, the Compensation Committee has engaged Exequity LLP ("Exequity"). In connection with the engagement of any compensation consultant, the committee assesses whether any potential conflicts of interest existed with the compensation consultant, using the following factors: other services, if any, the compensation consultant provided to us; the significance of the fees paid by us as a percentage of the compensation consultant's total revenues; the compensation consultant's policies and procedures designed to prevent conflicts of interest; any business or personal relationships between the compensation consultant's professionals engaged to advise our Compensation Committee and the members of our Compensation Committee; ownership of any Company stock by the compensation consultant professionals engaged to advise the Company; and any business or personal relationships between the compensation consultant professionals engaged to advise our Compensation Committee and our executive officers. Based on the evaluation of these factors, including information received from the compensation consultant addressing these factors, the committee concluded that Exequity's service to the committee did not raise any conflicts of interest.

For additional information regarding the Compensation Committee, including its use of consultants, see "Executive Compensation—Compensation Discussion and Analysis" below.

### **Nominating and Corporate Governance Committee**

Our Nominating and Corporate Governance Committee's charter, which describes the composition and responsibilities of the committee, may be viewed on our website at <http://investor.activision.com/corporate-governance.cfm>.

The charter currently provides that the Nominating and Corporate Governance Committee must consist of at least three directors.

The current members of the Nominating and Corporate Governance Committee are Messrs. Meyer, Morgado and Nolan. Based upon information provided by each director concerning his background, employment and affiliations, our Board has determined that each member of the Nominating and Corporate Governance Committee is an independent director under the NASDAQ Rules.

The Nominating and Corporate Governance Committee's other responsibilities include:

- periodically evaluating the size of our Board and recommending to the Board any appropriate increase or decrease;
  - making recommendations to our Board regarding the size and composition of each standing committee of the Board;
  - reviewing our Certificate of Incorporation and our Bylaws as they relate to corporate governance matters and recommending changes to our Board;
  - overseeing the evaluation of our Board and its committees; and
- determining the appropriate engagement with shareholder groups and proxy advisory firms on our submissions to our
- stockholders (which, in the case of matters relating to executive compensation, will be done in conjunction with the Compensation Committee).

In accordance with our Corporate Governance Principles and Policies, our Nominating and Corporate Governance Committee is also responsible for evaluating any stockholder proposals submitted to us for inclusion in any proxy statement for, and consideration at, any meeting of our stockholders.

The Nominating and Corporate Governance Committee's charter authorizes it to engage independent counsel or other consultants or advisors as it deems appropriate, including a search firm to assist in the identification of director candidates.

In accordance with our Corporate Governance Principles and Policies and the Nominating and Corporate Governance Committee's charter, the Nominating and Corporate Governance Committee must meet at least twice annually. The Nominating and Corporate Governance Committee met three times during 2014.

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## **The Board's Role in Risk Oversight**

It is the responsibility of our senior management to develop and implement the Company's financial, operating and strategic plans, and identify, evaluate, manage and mitigate the risks inherent in those plans. It is our Board's responsibility to understand and oversee those plans, the associated risks and the steps that senior management is taking to manage and mitigate those risks. The Board and its standing committees exercise this risk oversight function in a variety of ways, including:

Annually reviewing the conclusions and recommendations of our management with respect to current and future potential strategic enterprise-level risks and strategies used to mitigate such risks

### **Board of Directors**

Annually reviewing succession plans for our senior-most officers

Communicating regularly with our management about risk oversight

Delegating certain risk management oversight functions to its standing committees, each of which regularly reports to our Board

Playing a key role in overseeing risk mitigation on behalf of our Board

Overseeing compliance with legal and regulatory requirements and the overall risk management process

Regularly receiving reports on significant internal controls, compliance risks and potential legal and regulatory risks, along with our management's plans for mitigating such risks

### **Audit Committee**

Meeting privately on a regular basis with our chief audit executive and representatives of our independent auditor

Receiving regular guidance and feedback from representatives of the Company's independent auditor

Having full access to management and the ability to engage independent advisors

Overseeing risks that may be created by our compensation programs

### **Compensation Committee**

Annually reviewing our incentive plans to determine if they encourage excessive risk

Having full access to management and the ability to engage independent advisors

### **Nominating and Corporate Governance Committee**

Overseeing risks associated with overall governance and succession planning

Having full access to management and the ability to engage independent advisors

## Compensation Risk Management

The Compensation Committee, together with legal counsel and members of our human resources team, reviews the Company's incentive compensation plans annually to determine if they encourage employees to take inappropriate risks that are reasonably likely to have a material adverse effect on the Company. During 2014, and again in 2015, this review consisted of an analysis of each of our incentive compensation programs for our executives and other employees, including eligibility, performance measures, payment targets and maximum payments, performance measurement, payment timing and governance (including the applicable approval process).

The incentive compensation plans in which our employees are eligible to participate are designed to encourage achievement of high levels of performance against challenging targets that are tied to achievement of the overall corporate strategy, while mitigating potential risks. The following factors help mitigate risk:

- performance measures are designed to focus executive performance on long-term stockholder value creation and do not encourage taking short-term risks at the expense of long-term results, balancing between financial, operational and qualitative targets and short-and long-term time horizons for achievement;
- although bonuses to our executives and our corporate employees under our Corporate Annual Incentive Plan (the "CAIP") are based on the achievement of annual target goals: (1) they represent just one element of our employees' total compensation; (2) the Compensation Committee approves the financial objectives and individual goals used to measure our executive officers' performance; (3) payments in respect

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of financial performance measures are capped at 150% to 200% of target, depending on the specific metric, and payments in respect of individual performance measures are capped at 120% of target; and (4) the Compensation Committee has discretion under the plan to reduce or eliminate payments based on individual performance;

although bonuses to our sales employees are based on the achievement of targets relating to the sales of our games: (1) they represent just one element of our employees' total compensation; (2) payments in respect of financial performance measures are capped at 125% to 200% of target, depending on the specific metric, and payments in respect of individual performance measures are capped at 120% of target; and (3) the Company has discretion under each plan to reduce or eliminate payments;

although bonuses to employees of our development studios are based on the achievement of targets relating to performance of the games being developed: (1) they represent just one element of our employees' total compensation; (2) aggregate payments in respect of each title are subject to certain caps; and (3) the Company has discretion under each plan to reduce or eliminate payments;

equity awards, which represent a meaningful portion of the compensation paid to our executives, are subject to a multi-year vesting schedule, and any vesting in respect of underlying performance measures is capped at 100%, 125% or 200% of target;

our stockholder-approved incentive plan limits the size and/or value of the short- and long-term incentive awards any individual may receive for any given fiscal year;

our Compensation Committee annually reviews and approves the equity award guidelines for all eligible employees of the Company; and

incentive awards generally require at least two levels of approval (including, in the case of any award to one of our executive officers, Compensation Committee approval and, for any executive other than the chief executive officer, the CEO's approval) and all equity-based awards to any employee require Compensation Committee approval in addition to any management-level approval.

We also have a number of governance policies in place that may also mitigate compensation-related risk, including:

our clawback policy, pursuant to which performance-based compensation may be recovered in the event of an earnings restatement if the amounts paid were in excess of what would have been paid had the restated numbers been used to determine payments;

provisions in our equity award agreements pursuant to which, should an executive officer breach his or her employment agreement with the Company, including his or her post-termination obligations, realized gain in respect of his or her awards may be recovered;

stock ownership guidelines for our executive officers, which require each executive to obtain and maintain equity ownership with a value equal to a specified multiple of his or her base salary (which guidelines are expected to be satisfied within five years of the policy's 2012 adoption or, if later, the executive officer's election);

our insider trading policies, which prohibit "shorting" our securities, engaging in "puts", "calls" or other hedging transactions involving our securities or using margin accounts with our securities; and



- our Code of Conduct, compliance with which must be certified by every employee.

### **Political Activities**

Pursuant to our Code of Conduct, Company resources may not be used for employees' personal political activities, and lobbying activities are permitted only in compliance with applicable law and by individuals designated to represent the Company in such capacity.

Trade associations of which the Company is a member may take a stance on legislative matters or engage in lobbying on specific issues.

### **Code of Conduct**

We have a code of ethics, our Code of Conduct, which applies to all of our directors and employees worldwide, including our chairman, chief executive officer and chief financial officer. We also have a chief compliance officer, who administers our ethics and compliance program. You can access a copy of our Code of Conduct on our website at <http://investor.activision.com/corporate-governance.cfm>. Furthermore, we will post any amendments to, or waivers of, the Code of Conduct that apply to our chairman, chief executive officer or chief financial officer, and any other related information, on that website.

### **Additional Corporate Governance Documentation**

In addition to finding our Corporate Governance Principles and Policies, Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Code of Conduct on our website at <http://investor.activision.com/corporate-governance.cfm>, you can also find many of our other corporate governance documents. Please see "Helpful Resources" for more information.

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## **EXECUTIVE OFFICERS**

The following are biographical summaries of our executive officers other than Mr. Kotick, for whom a biographical summary is set forth under “Proposal 1—Election of Directors” above.

### ***Dennis Durkin***

#### **Chief Financial Officer of Activision Blizzard**

**Age 44**

Dennis Durkin became our Chief Financial Officer in March 2012. Prior to joining the Company, Mr. Durkin held a number of positions of increasing responsibility at Microsoft Corporation, a computing hardware and software manufacturer, most recently serving as the corporate vice president and chief operating and financial officer of Microsoft Corporation’s interactive entertainment business, which included the Xbox console business. Prior to joining Microsoft Corporation’s interactive entertainment business in 2006, Mr. Durkin worked on Microsoft Corporation’s corporate development and strategy team, including two years where he was based in London, England driving pan-European activity. Before joining Microsoft Corporation, Mr. Durkin was a financial analyst at Alex. Brown and Company. Mr. Durkin holds a B.A. degree in government from Dartmouth College and an M.B.A. degree from Harvard University.

### ***Eric Hirshberg***

#### **Chief Executive Officer of Activision Publishing, Inc.**

**Age 46**

Eric Hirshberg became the Chief Executive Officer of Activision Publishing, Inc. (“Activision Publishing”), a subsidiary of Activision Blizzard and one of our two principal operating units, in September 2010. Prior to joining us, Mr. Hirshberg served in positions of increasing responsibility with Deutsch LA, a marketing and advertising agency, most recently serving as its co-chief executive officer and its chief creative officer. Prior to working at Deutsch LA, Mr. Hirshberg worked at Fattal & Collins, a marketing and advertising agency. Mr. Hirshberg holds a B.F.A. degree from the University of California at Los Angeles.

### ***Brian Hodous***

#### **Chief Customer Officer of Activision Blizzard**

**Age 51**

Brian Hodous became our Chief Customer Officer in July 2008 in connection with the Vivendi Games Combination and was the Chief Customer Officer of Activision Publishing from the time he joined the Company in November 2006 until the consummation of the Vivendi Games Combination. Prior to joining the Company, Mr. Hodous was employed by Cadbury Schweppes, an international confectionery and beverage company, where he was the group director and the executive vice president of global sales from 1999 to 2006. Prior to working at Cadbury Schweppes, Mr. Hodous served in various sales and senior management positions of increasing responsibility with Wyeth Pharmaceuticals, a pharmaceutical company, Pillsbury, a food products company, Drackett Products, a homecare products producer, and GlaxoSmithKline, a pharmaceutical manufacturer. Mr. Hodous holds a B.A. degree in marketing and management from Marquette University.

***Michael Morhaime***

**President and Chief Executive Officer of Blizzard Entertainment, Inc.**

**Age 47**

Michael Morhaime became Chief Executive Officer of Blizzard Entertainment, Inc. (“Blizzard Entertainment”) and an executive officer of Activision Blizzard in July 2008 in connection with the Vivendi Games Combination. In February 1991, Mr. Morhaime co-founded Blizzard Entertainment, now a subsidiary and one of our two principal operating units, and transitioned to the role of Blizzard Entertainment’s President in April 1998. Mr. Morhaime served on the executive committee of Vivendi Games, Inc. (“Vivendi Games”) from January 1999, when Blizzard Entertainment became a subsidiary of Vivendi Games, until the consummation of the Vivendi Games Combination, when Blizzard Entertainment became a subsidiary of the Company. Mr. Morhaime holds a B.S. degree in electrical engineering from the University of California at Los Angeles.

***Humam Sakhnini***

**Chief Strategy and Talent Officer of Activision Blizzard**

**Age 46**

Humam Sakhnini became our Chief Strategy and Talent Officer in February 2012. Prior to that, he served as our Executive Vice President of Corporate Strategy and Business Development from July 2009 until February 2012. Prior to joining the Company, Mr. Sakhnini was a partner with McKinsey & Company, a global management consulting firm, in its global media and entertainment practice. Prior to McKinsey & Company, Mr. Sakhnini founded and co-led ISGroup, a financial technology firm that provided technology solutions to mutual funds and hedge funds. Prior to that, Mr. Sakhnini held a number of positions of increasing responsibility at BMO Nesbitt Burns, Canada’s largest investment bank and brokerage firm, and the Ministry of Finance in Canada, where he worked on a variety of fiscal and monetary policies. Mr. Sakhnini holds a B.A. degree in economics from the University of Western Ontario, an

M.A. degree in economics from Queen's University at Kingston, and an M.B.A. degree from Yale University School of Management.

*Thomas Tipl*

**Chief Operating Officer of Activision Blizzard**

**Age 48**

Thomas Tipl became our Chief Operating Officer in March 2010. Prior to that, he served as our Chief Corporate Officer from March 2009 until March 2010. In addition, Mr. Tipl served as our Chief Financial Officer from July 2008 until February 2012. Mr. Tipl joined the Company as the Chief Financial Officer of Activision Publishing in October 2005. Prior to joining the Company, Mr. Tipl served as the head of investor relations and shareholder services at The Procter & Gamble Company, a manufacturer of consumer goods products, from 2004 to 2005. Mr. Tipl also served as the finance director of Procter & Gamble's Baby Care, Europe division and as a member of the board of directors of the joint venture between Procter & Gamble and Fater in Italy from 2001 to 2003. Mr. Tipl co-founded Procter & Gamble's Equity Venture Fund in 1999 and also served as the associate director of acquisitions and divestitures for Procter & Gamble from 1999 to 2001. Prior to 1999, Mr. Tipl served in various financial executive positions for Procter & Gamble in Europe, China and Japan. Mr. Tipl holds a master's degree in economics and social sciences from the Vienna University of Economics and Business Administration.

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**Chris B. Walther**

**Chief Legal Officer of Activision Blizzard**

**Age 48**

Chris B. Walther became our Chief Legal Officer in November 2009 and served as our Secretary from February 2010 until February 2011. Prior to joining us, Mr. Walther held a number of positions of increasing responsibility within the legal department of The Procter & Gamble Company from 1992 to 2009, including serving as the general counsel for Central and Eastern Europe, Middle East and Africa, general counsel for Northeast Asia and, most recently, as general counsel for Western Europe. Mr. Walther also led Procter & Gamble's corporate and securities and mergers and acquisitions practices. Before joining Procter & Gamble, Mr. Walther served as a law clerk for Senior Judge Harry W. Wellford of the United States Sixth Circuit Court of Appeals. Since 2012, Mr. Walther has served on the board of directors of the Alliance for Children's Rights. Mr. Walther has also served as our representative on the board of directors of the Entertainment Software Association since 2013. Mr. Walther holds a B.A. degree in history and Spanish from Centre College and a J.D. degree from the University of Kentucky College of Law.

None of our executive officers are related to any other of our executive officers or our directors and each executive officer holds office at the discretion of our Board and subject to the terms of that executive officer's employment agreement.

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## **EXECUTIVE COMPENSATION**

The following discussion and tables set forth information with regard to compensation for services rendered by the named executive officers included in the “Summary Compensation Table” below (collectively, our “named executive officers” or “NEOs”) in all capacities to us and our subsidiaries during 2014.

### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis describes the material elements of our executive compensation program and the rationale for the program elements and decisions, through:

- describing the business environment in which we operate and the resulting requirements for talent;
- summarizing our compensation philosophy and objectives;
- outlining our decision-making approach related to executive compensation; and
- describing the elements and rationale behind our compensation programs and awards for 2014, as well as additional enhancements for 2015.

#### **This CD&A includes:**

- Overview (page 26)**
- Decision-Making Approach to Compensation for Executive Officers (page 31)**
- Elements of Our Executive Compensation Program for 2014 (page 33)**
- Stock Ownership Guidelines (page 40)**
- Impact of Tax and Accounting Considerations (page 40)**

#### **Overview**

The Compensation Committee oversees Activision Blizzard’s compensation plans and policies, approves compensation for our executive officers and administers our stock compensation plans. This Compensation

Discussion and Analysis describes our executive compensation philosophy and programs, as well as compensation-related actions taken during 2014 for our named executive officers:

- Robert A. Kotick, our President and Chief Executive Officer;
- Dennis Durkin, our Chief Financial Officer;
- Thomas Tippl, our Chief Operating Officer;
- Michael Morhaime, the President and Chief Executive Officer of Blizzard Entertainment, one of our two principal operating units; and
- Humam Sakhnini, our Chief Strategy and Talent Officer.

Please see page 24 for biographical information with respect to our officers.

## 2014 Financial Highlights

2014 was another successful year for the Company, as we achieved record results and introduced new franchises with outstanding gameplay, expanded on exciting new business models and continued investing in some of the world's most important entertainment franchises. During 2014:

- We generated GAAP net revenues of \$4.41 billion and non-GAAP net revenues of \$4.81 billion.
- Our non-GAAP net revenues from digital channels<sup>(1)</sup> accounted for a record 46% of our total non-GAAP net revenues.
- Our 2014 GAAP operating margin was 27% and our non-GAAP operating margin was 32%.
- We delivered GAAP and non-GAAP diluted earnings per share of \$1.13 and \$1.42, respectively.
- We generated GAAP operating cash flow of almost \$1.3 billion.
- We delivered total shareholder return (*i.e.*, TSR) (through stock price appreciation and dividend payments) of over 14%.

<sup>(1)</sup> Non-GAAP net revenues from digital online channels represents revenues from subscriptions, licensing royalties, value-added services, downloadable content, digitally distributed products and wireless devices.





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## 2014 Operational Highlights

Our strong financial performance was driven by our operational execution during 2014. Highlights included<sup>(1)</sup>:

Blizzard Entertainment launched *Warlords of Draenor*, the fifth expansion for the #1 subscription-based massively multiplayer online role-playing game (*i.e.*, MMORPG) in the world, *World of Warcraft*. The expansion sold-through more than 3.3 million copies as of the first 24 hours of its availability and helped drive *World of Warcraft* to more than 10 million global subscribers at the end of 2014<sup>(2)</sup>.

Blizzard Entertainment's *Diablo III: Reaper of Souls* was the #1 top-selling role-playing game on PC and, including its expansion and digital sales, *Diablo III* has sold more than 20 million copies worldwide across all platforms.

Blizzard Entertainment released *Hearthstone: Heroes of Warcraft*, a free-to-play digital strategy card game, which had more than 25 million registered players as of January 2015 and received multiple "game of the year" awards and nominations.

Activision Publishing's *Call of Duty: Advanced Warfare* was the #1 top-selling console game globally for the calendar year. Additionally, *Call of Duty* was the #1 franchise in North America for the sixth year in a row.

Activision Publishing's *Destiny* was the most successful launch of a new video game franchise in history. *Destiny* was also the #1 top-selling new video game IP and the #3 top-selling new release in North America and Europe, combined, for the calendar year.

Activision Publishing's *Skylanders* franchise had the #1 top-selling kids console game globally for the fourth year in a row.

- (1) According to The NPD Group, GfK Chart-Track and Activision Blizzard internal estimates, as the case may be. *World of Warcraft* subscribers include individuals who have paid a subscription fee or have an active prepaid card to play *World of Warcraft*, as well as those who have purchased the game and are within their free month of (2) access. Internet Game Room players who have accessed the game over the last thirty days are also counted as subscribers. The above definition excludes all players under free promotional subscriptions, expired or cancelled subscriptions, and expired prepaid cards. Subscribers in licensees' territories are defined along the same rules.

## Three-Year Financial Performance Metrics

Our Compensation Committee believes that a significant portion of our executive compensation should be tied to performance. We have used measures we believe are robust indicators of our overall performance, including profitability and cash flow. The tables below demonstrate our performance over the past three years.

*Activision Blizzard non-GAAP adjusted free cash flow is an internal measure calculated by subtracting*  
(1) *year-over-year cash changes related to working capital (excluding certain one-time items and timing of tax payments) and capital expenditures from the Company's non-GAAP net income (excluding the after-tax effect of interest and other income/expense as well as depreciation expense).*

(2) *Total shareholder return refers to the compound annual total rate of return on our Common Stock assuming the same-day reinvestment of dividends, calculated as of December 31<sup>st</sup> for each year.*

*For information on the calculation and reconciliation of GAAP measures to non-GAAP measures, see Appendix A attached to this proxy statement. Non-GAAP measures exclude, as applicable: the impact of the change in deferred net revenues and related cost of sales with respect to certain of our online-enabled games; expenses related to*  
(3) *stock-based compensation; expenses related to restructuring; the amortization of intangibles and impairment of intangible assets and goodwill from purchase price accounting; fees and other expenses related to the Vivendi Share Repurchase Transaction (as defined below) and related debt financings; and the tax adjustments associated with any of the aforementioned items.*

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## Aligning Pay with Performance

A portion of the potential annual compensation of each of our executive officers is the payment, if any, he may receive under the CAIP. That compensation, in turn, is contingent upon the executive achieving the financial and individual strategic targets set for him at the beginning of the relevant year. The following illustrates the directional relationship between the Company's 2014 performance, as measured by three of our key financial metrics, and the 2014 CAIP payments awarded to our executive officers, as compared to the range of potential payments:

*Maximum payout potential as a percent of target as shown above represents the maximum bonus an executive was eligible to receive under the CAIP. For further detail on the 2014 bonus opportunities under the CAIP for our (1) named executive officers, please see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP” below.*

The graphic regarding actual payout ranges under the CAIP for 2014 also highlights the fact that, while the financial targets underlying the payment to each named executive officer were met or exceeded in each case, not every executive officer achieved all of his individual targets. Please see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP” below for more information.

## Our Compensation Program Best Practices

We continue to implement and maintain best practices in our executive compensation programs and policies. These practices include:

- **Performance-Based Vesting of Equity Awards**—We generally include performance-based vesting conditions for a significant portion of the equity awards granted to our senior officers.
- **Multi-Year Vesting of Equity Awards**—We grant equity awards to our executive officers that vest over multiple years.
- **No Guaranteed Incentive Bonuses**—The Compensation Committee exercises discretion in determining final award payments under the CAIP, and no bonuses are paid if a minimum financial objective is not achieved.
-

**Balanced Goals Underlying Incentive Bonus**—The CAIP opportunities for our executive officers include both financial and strategic objectives.

- **Two-Tier Approval for Incentive Awards**—We generally require at least two levels of approval for incentive awards (*i.e.*, management and our Compensation Committee).

- **Stock Ownership Guidelines**—We have meaningful stock ownership guidelines for our executive officers. For additional information, see “—Stock Ownership Guidelines” below.

- **Formal Risk Management Programs**—We maintain strong internal controls, governance and review structures, as well as formal risk-management programs.

- **No Hedging of Company Stock**—We prohibit our employees from directly or indirectly “shorting” our securities, engaging in “put” or “call” or other “hedging” transactions involving our stock or establishing or using a margin account with a broker-dealer to trade our securities (although we waived that prohibition for Messrs. Kotick and Kelly for the limited purpose of the acquisition, holding and pledge of any shares acquired in connection with the 2013 purchase by ASAC of our Common Stock from Vivendi, S.A. (“Vivendi”) (the “ASAC Private Sale”)).

- **Clawback Policy on Variable Pay**—In the event of an earnings restatement, we may “claw back” performance-based compensation (including both annual and long-term incentive awards) paid to executives.

- **No Stock Option Repricing**—The 2014 Plan and 2008 Plan both prohibit the repricing of “underwater” equity awards.

- **Independent Consultant Reporting Directly to Compensation Committee**—The Compensation Committee engages the services of an independent executive compensation consultant that has no other relationship with the Company or its management. For additional information regarding the Compensation Committee’s engagement of consultants, see “Corporate Governance Matters—Board of Directors and Committees—Board Committees—Compensation Committee—Engagement of Compensation Consultants” above.

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**Peer Group Review**—The Compensation Committee monitors our peer group to ensure it continues to reflect an appropriate mix of the industry segments in which we compete, or plan to compete, for key talent. For additional information regarding our peer group, see “—Decision-Making Approach to Compensation for Executive Officers—Compensation Surveys and Peer Company Data Referenced” below.

### **Actions in Response to Our Recent Shareholder Advisory Votes on Executive Compensation**

Approximately 69% of the votes cast at the 2014 annual meeting of our stockholders were in favor of approving our “say-on-pay” proposal. Considering these results and after engaging with key stakeholders, the Compensation Committee performed a thorough review of our compensation practices. Although the Compensation Committee concluded that our general compensation philosophy remains appropriate, the Compensation Committee did identify specific areas for adjustment based on stockholder feedback, the most significant of which are described below. The Compensation Committee also reemphasized our core philosophy of tying pay with performance, so that the compensation our officers ultimately realize is largely contingent upon achieving the ambitious goals we establish for them.

As noted, in response to past “say-on-pay” results, and in advance of the 2014 annual meeting, members of our management conducted a stockholder outreach effort in 2014 aimed at soliciting feedback from a number of our largest stockholders. A summary of the feedback received was presented to the Compensation Committee in July 2014 and the items raised in that feedback have been discussed regularly by the Compensation Committee since that time.

While our use of long-term employment agreements with our executive officers generally prevents us from making immediate changes to our executive compensation program, the Compensation Committee has incorporated the stockholder feedback into its decision-making process. Since the 2014 annual meeting of our stockholders:

- no discretionary cash awards have been awarded to any named executive officer;
- no time-based vesting restricted share units have been granted to any named executive officer (with the exception of Mr. Morhaime, as his employment agreement, which was last amended in 2010, provides that we will grant him a specified number of such restricted share units each year); and
- no time- or performance-based equity awards with the right to dividend equivalents have been granted to any named executive officer.

The Compensation Committee takes the feedback received from stockholders seriously and will continue to incorporate such feedback into its decision making process.

### **Highly Competitive Business Environment and Associated Talent Requirements**

We operate in the entertainment software industry, which sits at the convergence of the entertainment and leisure, technology and consumer packaged goods sectors. Our industry is intensely competitive and constantly evolving. It features a number of unique characteristics, including:

- a dependence on a relatively small number of titles for a disproportionate level of revenues and profits;
- rising costs of development, partially due to increasingly complex technological requirements;
- an increasing importance on building and growing key franchises with sustained game quality; and
- a global consumer base that expects entertainment content delivered through an increasingly varied range of channels, including digital distribution.

We believe that, in order to succeed in this fast-changing business environment, we require executive talent with very specialized qualifications, including the following:

- significant global experience managing complex brands and franchises;
- in-depth knowledge of sophisticated strategies and operational models in the digital and entertainment segments; and
- aptitude for, and experience in, managing entertainment and technology products and talent in a rapidly changing, high-risk environment.

Finding top executives with these characteristics requires recruitment of executives from a variety of industries, including those that are larger and more mature, including entertainment and leisure, technology and consumer packaged goods companies.

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## Compensation Philosophy and Objectives

To respond to these requirements for top executive talent, the Compensation Committee has established the following philosophy and objectives for the compensation of our executive officers:

### What We Do

**Align Compensation with Stockholder Interests**—A substantial portion of the compensation opportunity should be variable, linked to performance metrics that are intended to increase stockholder value, and be stock-based, so that executive compensation is aligned with the interests of stockholders.

**Focus on Pay for Performance**—Annual and long-term incentive awards should be linked to the Company’s financial performance, incentivizing executives to drive corporate performance.

**Create Clearly Defined Short- and Long-Term Goals Aligned with Our Strategy**—Performance goals, both short- and long-term, should be clearly defined to provide clear alignment between our business strategy, financial results and incentive payments.

**Offer Competitive Total Compensation**—Compensation should reflect the competitive talent market from which we recruit. Total direct compensation (as defined herein) should be targeted to attract, retain and motivate the highest caliber talent, as well as to reward outstanding performance.

**Use an Independent Compensation Consultant**—Our Compensation Committee should receive advice and analysis regarding executive compensation from a consultant that is independent and performs no other work for the Company.

**Preserve the Tax Deductibility of Compensation**—We should generally strive to preserve the tax deductibility of the compensation paid to our executives.

**Use Publicly Available Data in Calculating Compensation**—Only publicly reported metrics should be utilized in the assessment of short- and long-term financial performance goals, to ensure a fair and accurate assessment of those goals.

**Use Employment Agreements to Attract and Retain Key Executive Talent**—Employment agreements should be used to attract and retain executive talent.

**Use “Upfront” Equity Grants**—One-time “upfront” equity grants should be made in connection with an executive’s hire and with any promotion or other change in his role or responsibilities or the extension of his term of employment, rather than on an annual basis.

### What We Don’t Do

**Frequently Replace Our Management Team**—Entering into employment agreements with each of our executive officers encourages long-term and invested relationships between them and the Company.

**Put Our Executives Before Our Stockholders**—Executive compensation that is variably linked to the performance of the Company helps to align the goals and interests of executive officers and stockholders.

**Incentivize Excessive Risk Taking**—Performance goals linked to our executive compensation do not encourage or incentivize excessive risk taking or risk exposure.

**Use Arbitrary Performance Metrics**—We do not use arbitrary or unreliable measurements of performance in assessing performance-based executive compensation.

**Make Biased Compensation Decisions**—Reviewing our executive and director compensation plans with an independent consultant introduces an unbiased and professional perspective on executive compensation.

### **Why Do We Use Employment Agreements?**

We believe that having employment agreements with our named executive officers is critical in enabling us to attract and retain talent in a highly competitive industry and, as such, we have entered into an employment agreement with each of them. The employment agreements specify base salary, any minimum annual salary increase, annual incentive targets and the terms and conditions of equity awards, and include provisions regarding the consequences of termination of employment and restrictive covenants, including non-competition and non-solicitation provisions. The terms of each of these agreements have been approved by the Compensation Committee, which utilized its judgment to determine the appropriate amount and form of compensation and other terms of employment necessary to recruit, retain and motivate the executive, based in part upon the negotiations with the executive. Please see “—Employment Agreements” below for further information about the agreements with our named executive officers.

### **Why Do We Use “Upfront” Equity Grants?**

Each named executive officer receives one-time “upfront” equity grants in connection with his hire and with any promotion or other change in role or responsibilities or the extension of his term of employment.

These equity grants generally vest over the contract term, either upon attainment of specified performance objectives or ratably, providing the executive with a significant equity position up front, which we believe enhances retention. With the exception of Mr. Morhaime, whose employment agreement provides for annual equity grants, consistent with the compensation to which he was entitled from Vivendi Games prior to the Vivendi Games Combination, our named executive officers generally do not receive additional equity. Please see “—Employment Agreements” below for further information about these equity awards.

### **How Do We Determine the Size of Equity Grants?**

In order to remain the leader in our industry, we must attract, retain and motivate the highest caliber talent, as well as reward outstanding performance. As such, in determining the estimated size of equity grants, values are typically targeted such that, when combined with base salary and target annual cash incentives, the annualized “total direct compensation” (*i.e.*, the sum of salary, bonuses and the annualized value of equity awards) generally approximates the 75<sup>th</sup> percentile when compared to our peer group and other applicable benchmarks.



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## Decision-Making Approach to Compensation for Executive Officers

### Roles of the Key Participants in the Executive Compensation Decision-Making Process

Decisions regarding compensation for our executive officers are at the sole discretion of our Compensation Committee. To help inform these decisions, the Compensation Committee regularly reviews materials, advice and analysis provided by our management and external compensation consultants in deciding on executive compensation matters, as described in more detail below.

#### Compensation Committee

- Reviews and approves our compensation philosophy and all compensation programs applicable to executive officers who
  - are subject to Section 16 of the Exchange Act and employees whose targeted annual cash compensation exceeds, or is proposed to exceed, \$2 million.
- Establishes and evaluates the Company's long-term strategy for employee compensation.
- Reviews and approves the corporate goals and objectives relevant to our chief executive officer's compensation;
  - evaluates his performance in light of those goals and objectives; and determines his compensation based on that evaluation.
- Selects and monitors the Company's peer group.
- Evaluates compensation-related information and
  - recommendations provided by management and outside advisors.
- Annually reviews the compensation payable to our Board of Directors.
- Administers our equity incentive plans, including:
  - approval of equity grant guidelines;
  - approval of all equity awards; and
  - monitoring our equity usage and resulting potential dilution.
- Reviews and approves executive officer employment and severance agreements.
- Evaluates broad industry trends and practices.
- Engages, retains and, where appropriate, terminates its independent compensation consultant.

For additional information regarding the Compensation Committee, see "Corporate Governance Matters—Board of Directors and Committees—Board Committees—Compensation Committee" above.

## Compensation Committee's Independent Compensation Consultant

- Reports directly to the Compensation Committee and regularly attends Compensation Committee meetings.
- Consults with the members of the Compensation Committee outside of formal committee meetings and without the participation of management, when requested by the committee.
- At the Compensation Committee's direction, interacts with our management from time to time in order to obtain information it deems necessary to form its recommendations to the committee.
- Provides the Compensation Committee advice on the appropriateness and market competitiveness of our executive and director compensation programs.
- Presents third-party data and provides advice and expertise on director and executive compensation trends, pay programs and pay levels and other emerging "best practices" relating to such compensation.
- Analyzes materials provided by management to the Compensation Committee to ensure that those materials are consistent with the Company's stated philosophy with respect to director and executive compensation and reasonable vis-à-vis the Company's peer group.
- Assists the Compensation Committee with its determination as to who should be included in the Company's peer group, and reviews current peer group members.

Since October 2013, the Compensation Committee has retained Exequity as its independent compensation consultant.

## Executive Officers and Management

- Our management assists the Compensation Committee in formulating the Company's compensation programs and plans, including by, among other things:
    - supporting the development of the materials for each Compensation Committee meeting;
    - regularly advising the Compensation Committee with respect to our business strategies and operational goals and plans;
    - regularly making recommendations to the Compensation Committee on the Company's compensation practices, including with respect to effective types of incentive rewards and the individual performance of our executives; and
    - monitoring the Company's peer group and trends in the market.
  - Our chief executive officer reviews the performance of the Company's executive officers and provides his recommendations to the Compensation Committee on our officers' compensation.
- No member of our management has a direct role in determining his or her own compensation. Further, decisions pertaining to the compensation of our chief executive officer are reviewed and discussed by the Compensation Committee in executive session, without the presence of the chief executive officer or any other member of our management.

During 2014, the Compensation Committee consulted with our named executive officers, as well our Chief Legal Officer, Mr. Walther, and our Chief Compliance Officer and Corporate Secretary, Jeffrey Brown.



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## **Factors Influencing Compensation Decisions**

In general, the Compensation Committee evaluates a variety of factors when making compensation decisions for our executive officers, including:

- the executive's skill set, experience, historical performance and expected future contributions to the Company;
- the potential effect of an executive's departure if he or she were to leave the Company;
- as a reference for internal pay equity, the level of total compensation for our other senior executives; and
- to provide a market reference, compensation data from our peer group and published surveys.

Additionally, the terms on which any given executive officer is employed reflect the Compensation Committee's independent judgment as to the amount and form of compensation necessary to recruit, retain and motivate that individual.

## **Total Direct Compensation Target**

The Compensation Committee generally targets total direct compensation for our executive officers at the 75<sup>th</sup> percentile of our peer group and relevant survey data, believing that doing so best enables us to attract, retain and motivate the highest caliber talent, given the highly competitive market for executive talent in which we compete. This review is done both at the inception of an executive's employment and on an annual basis.

## **Compensation Surveys and Peer Company Data Referenced**

In reviewing the compensation of our executive officers, the Compensation Committee, with the support of its independent consultant and our management, annually consults third-party surveys prepared by compensation specialists with respect to companies with comparable revenues, market capitalization, industry focus, number of employees and other similar business-related factors in order to discern broader compensation trends in the market. During 2014, the surveys referenced included ones published by Croner and Radford.

In addition, the Compensation Committee utilized compensation data obtained from SEC filings made by companies among our peer group, discussed in more detail below, including compensation elements of the named executive officers of those companies, company-wide equity usage rates and potential dilution from employee stock awards and stock option grants.

The surveys and peer group data help the Compensation Committee understand the sectors in and with which we compete for talent, including, without limitation, gaming, entertainment and leisure, technology and consumer products.

Benchmarking our executive compensation programs and policies against the unique video and computer gaming industry is challenging given the limited number of direct competitors, particularly those which are publicly traded, U.S.-based publishers for which there is publicly-available information regarding their executive compensation programs and policies. Additionally, we frequently compete for executive talent with other industries. Therefore, the Compensation Committee has selected a 17-company peer group from across the four industry segments it believes best represent our business model and potential executive talent pool:

*Gaming*—Our core business, the video and computer gaming industry is a niche market in which we directly compete for consumer market share and talent;

*Entertainment and Leisure*—Generally multinational in nature, the entertainment and leisure industry is one with which we compete for talent and increasingly compete for consumer market share through digital content delivery;

*Technology*—Generally multinational in nature, the technology industry is one with which we compete for talent; and

*Consumer Packaged Goods*—Generally multinational in nature, the consumer packaged goods industry is one with which we compete for talent.

Our peer group represents a diversified yet targeted collection of companies that, like us, operate both in the United States and internationally. In general, our peer group consists of companies with similar levels of annual revenues, but it includes some companies whose revenue levels we have surpassed in recent years and some we strive to surpass in the future. Our 2014 revenues of \$4.4 billion approximated the 29<sup>th</sup> percentile among these peer group companies. Revenues, in billions, as reported by each such company for its most recently ended fiscal year are shown below:

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Our management and Compensation Committee monitors our peer group as our business model and potential talent pool evolve, to ensure the companies to which we reference continue to reflect an appropriate mix of the industry segments in which we compete, or may compete, for key talent.

While the peer group provides the Compensation Committee with an important frame of reference, the Compensation Committee, as it deems appropriate, considers the compensation practices of other companies with which we compete directly for executive talent. Furthermore, we evaluate broader industry trends and practices to determine the appropriate elements of compensation and the effective design of each element.

**Elements of Our Executive Compensation Program for 2014**

An overview of the primary elements of our executive compensation program and their purposes is presented below. Not all of these elements are applicable to all named executive officers. Our compensation philosophy, including our use of equity awards, has allowed us to recruit, retain and motivate the best talent in our industry, as evidenced by our performance. We aim to incentivize our executives to drive corporate financial performance by basing a significant portion of their compensation on achieving financial and individual strategic targets.

<b>Compensation Element</b>	<b>Purpose</b>	<b>Principal Actions for 2014</b>
Salary	Compensate for day-to-day responsibilities.	NEO salaries increased 2.75%-5% as a result of the annual review process.
Annual bonus ( <i>e.g.</i> , Corporate Annual Incentive Plan)*	Drive annual corporate and business unit financial results, as well as individual contributions toward strategic initiatives.	Financial metrics for NEOs included profitability and non-GAAP adjusted free cash flow measures. NEOs received CAIP-related payouts ranging between 84% and 111% of target as a result of financial and individual performance.
Equity awards ( <i>i.e.</i> , restricted share units, primarily with performance-based vesting criteria, and stock options)	Create alignment with stockholders, drive long-term stockholder value and promote employee retention.	None of our NEOs, with the exception of Mr. Morhaime, received an award as part of our annual equity grant. As previously noted, our executives generally receive “upfront” grants in connection with the entry into, or extension of, employment agreements. As such, Messrs. Sakhini and Tippl each received one-time “upfront” grants during 2014 in connection with the extension of his employment agreement.
Health and welfare benefits; perquisites	Provide modest supplemental benefits to attract key talent. Provide modest supplemental	NEOs participated in generally the same benefits programs we make available to all of our employees and received limited perquisites.
Retirement payments/benefits	post-retirement benefits to attract key talent.	NEOs participated in the 401(k) plan we offer to all other employees.
Limited change of control and termination of	Ensure balanced assessment of, and contribution to,	No change of control or termination payments were triggered for any NEOs.

<p>employment payments/benefits</p>	<p>merger and acquisition activity and fair treatment in the event of termination.</p>	<p>No NEOs other than Mr. Kotick have change of control protection; Mr. Kotick waived any rights to payments, benefits and equity vesting in relation to the consummation of the Vivendi Share Purchase Agreement.</p>
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*In addition to the compensation elements described above, Mr. Morhaime also participates in the Blizzard Bonus Plan, which provides him with an annual discretionary payment, and a Blizzard Entertainment profit-sharing \*program under the 2014 Plan (the “Morhaime Profit Sharing Plan”), which provides Mr. Morhaime with a share of Blizzard Entertainment’s operating profit, and each thereby provides him with a meaningful incentive to continue to drive the profitability of the Blizzard Entertainment operating unit.*

**Salary**

As noted above, each of our named executive officers is party to an employment agreement with us that specifies, among other things, such executive’s initial salary and any contractually guaranteed minimum annual salary increases. Aside from any contractually guaranteed minimum requirements, salary increases are generally only provided to an executive officer:

upon his or her hire or entry into a new or revised employment agreement with the Company or one of its subsidiaries, or in connection with our annual review of executive base salaries, where increases are determined based on performance during the previous fiscal year, with reference to competitive market data and salaries of our other executives for internal pay equity purposes.

As it does each year, in March 2014, the Compensation Committee reviewed a competitive target compensation assessment for each executive officer using our peer group and survey data to evaluate the competitiveness of our executive compensation program, including potential base salary increases for 2014. For information about our peer group, see “—Compensation Surveys and Peer Company Data Referenced” above. After considering each executive’s performance during 2013 and the target total compensation for each of our senior executives vis-à-vis the market data, the Compensation Committee established 2014 annual base salary rates for our named executive officers. The same process was followed in March 2015, after considering each executive’s performance during 2014.

The table below reflects the salaries approved for 2014 and 2015, along any other adjustments during 2014 and any increases to which the executives were entitled under their contracts:

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Name	Salary as of 12/31/2013	Salary as Adjusted During 2014 <sup>(1)</sup>	Increase per 2014 Annual Review <sup>(1)</sup>	Salary Approved for 2015 <sup>(1)</sup>	Increase per 2015 Annual Review <sup>(1)</sup>	Contractual Entitlement
Robert A. Kotick	\$ 2,100,000	\$ 2,188,200	(2) 4.2	% <sup>(2)</sup> \$ 2,275,728 <sup>(2)</sup>	4.0	% Minimum of avg. increase of executive team (excluding increases in connection with promotions and contract guarantees)
Dennis Durkin	\$ 682,500	\$ 716,625	5.0	% \$ 752,456	5.0	% Not less than 5.0% per year
Thomas Tippl	\$ 1,250,000	\$ 1,250,000	(3) —	(3) \$ 1,300,000	4.0	% Minimum of avg. increase of executive team (excluding increases in connection with promotions and contract guarantees)
Michael Morhaim	\$ 863,375	\$ 887,118	2.75	% \$ 922,603	4.0	% None
Humam Sakhnini	\$ 630,000	\$ 661,500	5.0	% \$ 700,000	(4) —	(4) None

<sup>(1)</sup> Other than as discussed in footnotes (2) and (3) below, the increases to base salary for 2014 were effective on March 2, 2014 and the increases for 2015 were effective on March 1, 2015.

<sup>(2)</sup> Mr. Kotick's annual base salary for any year is determined in March, in connection with our annual review of executive base salaries, but, in accordance with his employment agreement, the increases to that base salary are retroactively effective to January 1st of the year.

<sup>(3)</sup> In accordance with his employment agreement, as amended in December 2013, Mr. Tippl's annual base salary was increased effective as of December 5, 2013 and was not eligible for further increase during the 2014 annual review of executive base salaries.

<sup>(4)</sup> In accordance with his employment agreement, as amended in October 2014, Mr. Sakhnini's annual base salary was increased by 5.8% effective March 1, 2015.

The Compensation Committee may, at its discretion, further adjust the salary of any of our named executive officers at any time.

### Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses

#### 2014 Incentive Opportunities under the CAIP



To qualify the payments to our executives under the CAIP for 2014 for tax deductibility, while retaining flexibility to make downward adjustments to reflect each executive’s actual performance, the awards were structured so that there was a single performance objective that, if met or exceeded, would result in the payment of a bonus to each executive of the maximum allowed under the 2008 Plan, subject to the Compensation Committee’s use of negative discretion. That is, if our 2014 non-GAAP operating income was at least 75% of the non-GAAP operating income target for the year set forth in the annual operating plan approved by our Board for that year (such plan for any given year, the “AOP”), the bonus to be paid to each executive would be \$10,000,000 less the amount of any other “senior executive plan bonus” within the meaning of the 2008 Plan that was paid or to be paid to that person for 2014, subject to the Compensation Committee’s use of negative discretion to reduce or eliminate that bonus.

The Compensation Committee, when approving the 2014 CAIP opportunities, expressed the intent to reduce or eliminate all such bonuses if our 2014 non-GAAP operating income was not 85% or more of the non-GAAP operating income target for the year set forth in the 2014 AOP. The Compensation Committee also expressed the intent to reduce the bonus for each executive officer to the amount for which he was eligible in accordance with the formula described below under “—Resulting 2014 Payments under the CAIP”, which is based, in part, on his target and maximum opportunity.

In setting the minimum, target and maximum payout opportunities for each of our named executive officers under the CAIP for 2014, the Compensation Committee considered any requirements set forth in the applicable employment agreements, competitive market data, our desired pay mix and the compensation levels of our other senior executives. If a named executive officer satisfied (but did not exceed) all performance goals, the executive officer was eligible to receive a payment equal to his target payment, although the Compensation Committee retained the discretion to reduce this amount. Payments under the CAIP for 2014 to our named executive officers could have ranged as follows:

Name	2014 Corporate Annual Incentive Plan Payout Opportunity (% of Salary)				
	Minimum	Target		Maximum <sup>(1)</sup>	
Robert A. Kotick	0%	200 %		311	%
Dennis Durkin	0%	100 %		156	%
Thomas Tippl	0%	150 %		233	%
Michael Morhaime	0%	27 % <sup>(2)</sup>		43	%
Humam Sakhnini	0%	75 %		119	%

*The maximum percentages of salary vary for each executive based on the target opportunity as a percent of salary, mix of measures, weightings and maximum payment with respect to each performance measure under the 2014 CAIP. Maximum payment under the CAIP as a percent of target for each measure is shown in the tables below; the maximum payment under the 2008 Plan for all “senior executive plan bonuses” to each executive is \$10,000,000.*

*In accordance with his employment agreement, Mr. Morhaime’s target CAIP opportunity is 27% of his salary. In addition to being eligible for a CAIP bonus, Mr. Morhaime is also eligible to participate in the Blizzard Bonus Plan and the Morhaime Profit Sharing Plan, both of which are discussed in more detail below (see “—Other Cash Bonus Programs or Awards for 2014”).*



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## Determination of 2014 Performance Goals for the CAIP

Our Compensation Committee established the financial and individual strategic performance goals based on the 2014 AOP.

*Financial Objectives.* For our named executive officers, 60% of their target opportunity under the CAIP for 2014 was weighted on measures of non-GAAP profitability and non-GAAP adjusted free cash flow. The Compensation Committee believes that non-GAAP profitability and non-GAAP adjusted free cash flow are robust indicators of our overall performance, capturing fluctuations in sales as well as operating costs, and, as such, provide incentives to our executives to achieve goals that contribute to increasing stockholder value. Other measures the committee considered but excluded when initially designing the CAIP included revenues, excluded because it does not capture operating costs, and TSR, excluded because it is already a focus of our equity incentive plan.

*Individual Performance Measures.* Forty percent of the target opportunity for each named executive officer under the CAIP for 2014 was based on individual performance measures that supported our overall strategy and the officer's business unit's objectives for the year, such as successful product launches, controlling costs and strategic hiring decisions.

The Compensation Committee believes that the specific goals chosen required significant profitability, demanded superior performance from our management team and drove accountability for Activision Blizzard and/or applicable business units for each executive.

In addition, and as noted above, the Compensation Committee expressed the intent to reduce or eliminate all bonuses under the CAIP if our 2014 non-GAAP operating income was not 85% or more of the non-GAAP operating income target for the year set forth in the 2014 AOP.

Our Compensation Committee also established limits on the payments made under the CAIP for "overachievement". Payments in respect of individual performance measures are capped at 120% of the underlying target amount. The following table illustrates the relationship between the achievement of the financial measures and the resulting payouts to our executive officers:

[Back to Contents](#)**Achievement of Metrics Underlying 2014 Financial Goals for the CAIP**

The 2014 financial performance goals that the Compensation Committee approved for use in connection with the CAIP and other performance-related compensation were based on our 2014 AOP. The number of titles we release fluctuates from year-to-year and, as such, the financial goals underlying our AOP for a year may be lower than the goals—or results—from a prior year. The achievement of the financial performance goals relevant to the bonuses of our named executive officers under the CAIP for 2014 is set forth below:

<b>Non-GAAP Financial Performance Measures<sup>(1)</sup></b> (dollars in millions, except share-based amounts)	<b>Performance Goals and Actual Results</b>				
	<b>AOP Goal</b>	<b>Actual Results<sup>(2)</sup></b>	<b>Actual Achievement</b>	<b>Resulting CAIP Achievement</b>	
Activision Blizzard Operating Income <sup>(3)</sup>	\$1,464.5	\$1,527.0	104.3	%	104.3 %
Activision Blizzard Diluted Earnings Per Share <sup>(4)</sup>	\$1.26	\$1.42	112.7	%	112.7 %
Activision Blizzard Adjusted Free Cash Flow <sup>(5)</sup>	\$1,040.0	\$1,359.0	130.7	%	130.7 %
Blizzard Entertainment Adjusted Operating Income <sup>(3)</sup>	\$474.5	\$756.5	159.4	%	159.4 %

*The corporate performance measures used in the CAIP are non-GAAP financial measures. An explanation of how (1) these measures were calculated is provided in the following footnotes. For additional information on the reconciliation of GAAP measures to non-GAAP measures, see Appendix A attached to this proxy statement.*

*For purposes of determining CAIP performance, financial goals may, at the discretion of the Compensation Committee, exclude the impact of any extraordinary transaction (i.e., non-recurring corporate transaction or legal expense matter which results in expenses exceeding \$10,000,000 for the year). No such adjustments were made for (2) 2014.*

*Non-GAAP operating income measures exclude, as applicable: the impact of the change in deferred net revenues and related cost of sales with respect to certain of our online-enabled games; expenses related to stock-based (3) payments; expenses related to restructuring; the amortization of intangibles and impairment of intangible assets and goodwill; and the tax benefits adjustments associated with any of the aforementioned items.*

*Activision Blizzard non-GAAP diluted earnings per share is calculated by dividing non-GAAP net income by (4) weighted average diluted shares.*

*Activision Blizzard non-GAAP adjusted free cash flow is an internal measure calculated by subtracting (5) year-over-year cash changes related to working capital (excluding certain one-time items and timing of tax payments) and capital expenditures from the Company's non-GAAP net income (excluding the after-tax effect of interest and other income/expense as well as depreciation expense).*

**Resulting 2014 Payments under the CAIP**

For 2014, the threshold level of 85% of the non-GAAP operating income target for the year set forth in the 2014 AOP was exceeded and, as such, our named executive officers were each eligible for a bonus based on his performance.

To calculate the amount of the bonus that each named executive officer would receive, the following formula, applied using straight-line interpolation, was used:

\* *For 2014, each NEO had two financial performance measures tied to his CAIP payout.*

\*\* *For 2014, each NEO had three to five individual performance objectives tied to his CAIP payout.*

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The following table shows the weighting, expressed as a percentage, assigned to each of the performance measures underlying each named executive officer's bonus opportunity under the CAIP for 2014 and the maximum and actual payout as a percentage of the target.

Name/Measure	Weight	Maximum CAIP Payout (As Percentage of Target)	Resulting CAIP Performance (As Percentage of Target)			
<b>Robert A. Kotick</b>						
Activision Blizzard Diluted Earnings Per Share	35	% 200	% 113	%		%
Activision Blizzard Adjusted Free Cash Flow	25	150	131			
Focus on Franchises*	30	120	77			
Organizational Development*	10	120	100			
TOTAL	100	% 156	% 105	%		%
<b>Dennis Durkin</b>						
Activision Blizzard Diluted Earnings Per Share	35	% 200	% 113	%		%
Activision Blizzard Adjusted Free Cash Flow	25	150	131			
Focus on Franchises*	10	120	120			
Risk Management and Cost Savings*	20	120	0			
Organizational Development*	10	120	0			
TOTAL	100	% 156	% 84	%		%
<b>Thomas Tippel</b>						
Activision Blizzard Diluted Earnings Per Share	35	% 200	% 113	%		%
Activision Blizzard Adjusted Free Cash Flow	25	150	131			
Focus on Franchises*	30	120	77			
Organizational Development*	10	120	100			
TOTAL	100	% 156	% 105	%		%
<b>Michael Morhaime</b>						
Blizzard Entertainment Adjusted Operating Income	40	% 200	% 159	%		%
Activision Blizzard Adjusted Free Cash Flow	20	150	131			
Focus on Franchises*	30	120	70			
Organizational Development*	10	120	0			
TOTAL	100	% 158	% 111	%		%
<b>Humam Sakhnini</b>						
Activision Blizzard Operating Income	40	% 200	% 104	%		%
Activision Blizzard Adjusted Free Cash Flow	20	150	131			
Focus on Franchises*	30	120	33			
Organizational Development*	10	120	100			
TOTAL	100	% 158	% 88	%		%

*We believe that disclosing specific, non-quantitative corporate objectives for the year could affect us adversely by, for example, providing confidential information on business operations and forward-looking strategic plans to our customers and competitors that could result in substantial competitive harm. Therefore, only a brief description and the weighting of each goal for each of our named executive officers for 2014 are shown.*

All CAIP payments were based on actual eligible earnings and the achievement of specified Company and individual performance measures and the weighting thereof.

Name	Target Payment (\$ value)	Actual Payment (as % of target)	Actual Payment (\$ value)
Robert A. Kotick	\$4,371,651	105	% \$4,595,173
Dennis Durkin	\$710,063	84	% \$597,248
Thomas Tippl	\$1,875,000	105	% \$1,970,862
Michael Morhaime	\$238,289	111	% \$264,280
Humam Sakhnini	\$491,582	88	% \$431,805

### **Morhaime Profit Sharing Plan**

In addition to the CAIP, discussed above, in accordance with his employment agreement, Mr. Morhaime received a payment for 2014 under the Morhaime Profit Sharing Plan. The Morhaime Profit Sharing Plan is commensurate with the Blizzard Profit Sharing Plan, a program that predates the Vivendi Games Combination and provides employees of Blizzard Entertainment with the opportunity to share in the earnings generated by Blizzard Entertainment. In order to maximize the deductibility of those payments as performance-based compensation under Section 162(m), rather than participating directly in the Blizzard Profit Sharing Plan, Mr. Morhaime's opportunity to receive profit sharing payments is under the 2014 Plan (and is, therefore, known as the "Morhaime Profit Sharing Plan"). The Compensation Committee made the decision to retain a profit sharing component in Mr. Morhaime's compensation following the Vivendi Games Combination due to Mr. Morhaime's position, as well as our strategic focus on profitability, the prevalent market practice of profit sharing programs in the gaming industry, contractual obligations and our desire to incentivize and reward his contribution to Blizzard Entertainment and Activision Blizzard profits. Under the Morhaime Profit Sharing Plan,

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Mr. Morhaime is entitled to up to 6% of the “profit sharing pool” established pursuant to the Blizzard Entertainment Profit Sharing Plan. However, the Compensation Committee may exercise negative discretion with respect to his actual annual percentage interest in the pool, subject to a specified minimum percentage. For 2014, Mr. Morhaime received the minimum payment under the Morhaime Profit Sharing Plan to which he was entitled (*i.e.*, \$3,778,675).

## **Other Cash Bonus Programs or Awards for 2014**

### **Blizzard Bonus Plan**

In addition to the CAIP and the Morhaime Profit Sharing Plan, discussed above, in accordance with his employment agreement, Mr. Morhaime received a payment for 2014 under the Blizzard Bonus Plan. Under the Blizzard Bonus Plan, a Blizzard Entertainment program that, like the Morhaime Profit Sharing Plan, predates the Vivendi Games Combination, Mr. Morhaime is eligible to receive an end-of-year bonus, the target amount of which is 37% of his base salary, the minimum of which is 18.5% of his base salary and the actual amount of which is otherwise based on a subjective determination by the Compensation Committee. For 2014, Mr. Morhaime received the target amount (*i.e.*, \$328,234).

### **Equity Awards**

#### **Philosophy**

Our equity incentive program is intended to drive long-term value creation, create alignment with stockholders’ interests and encourage retention of key executives. The program consists of restricted share units, primarily with performance-based vesting criteria, and stock options. In granting equity to executive officers, we generally target delivering a defined value. Specifically, in determining the estimated grant value of upfront equity awards to executive officers, we target values such that, when combined with base salary and target annual incentives, annualized total direct compensation generally targets the 75<sup>th</sup> percentile when compared to our peer companies or applicable survey data. We may also provide supplemental equity awards to our executive officers during the term of their employment agreement, if there are particular circumstances that warrant doing so.

We utilize a mix of equity awards:

- restricted share unit awards with a focus on awards with performance-based vesting criteria, which, as such, incent our executives to achieve specific performance objectives that align with our multi-year business strategy, and all of



which provide an ownership interest in the Company and serve as a retention vehicle; and

• time-based vesting stock options, which directly align an executive's interests to that of our stockholders, as they provide value only in the event of stock appreciation.

We believe a combination of restricted units (primarily with performance-based vesting criteria) and stock options promotes long-term value creation critical to driving TSR and appropriately balances the various objectives of the equity incentive program.

### **Use of Employment Agreements and Their Impact on Reported Compensation**

As discussed above (see “—Compensation Philosophy and Objectives”), we believe that entering into employment agreements with our executives is important to attracting and retaining top talent. When we make an equity award to an executive officer, it is typically done in connection with the initial entry into an employment agreement, the renewal of that agreement or an amendment to that agreement in connection with a promotion or other assumption of new responsibilities. By providing one-time “upfront” grants, we align interests of our executives with those of our stockholders over the entire term of the executive's employment. Additionally, by granting equity awards with target values that are based upon the length of the term of the agreement, rather than a single year, we ensure executive support of our multi-year business strategy. Our practice of using upfront grants in lieu of annual awards may result in the equity-based compensation, and, as such, the total compensation, reported for each executive to differ significantly from year to year, depending on whether he entered into an employment agreement (or amendment thereof), and therefore received an equity award, in a given year. We view the value of these upfront equity awards on an annualized basis over the life of the employment agreement when evaluating an executive's total compensation.

During 2014, we provided one-time, upfront equity awards to each of Messrs. Sakhnini and Tippl in conjunction with the extension of his term of employment. Please see “—Employment Agreements—Humam Sakhnini” and “—Employment Agreements—Thomas Tippl—Employment Agreement” below.

### **Annual and Other Equity Awards**

We do not generally grant equity awards to our executive officers on an annual basis, although Mr. Morhaime's employment agreement provides for annual equity grants, consistent with the compensation to which he was entitled from Vivendi Games prior to the Vivendi Games Combination. Please see “—Employment Agreements—Michael Morhaime” below. Accordingly, during 2014 we made equity awards to Mr. Morhaime as part of the broader annual grant of equity to our employees.

### **Use of Performance-Based Equity Awards**

The Compensation Committee believes that, in general, equity awards made in connection with a new or amended employment agreement with an executive officer should include an award with performance-based vesting criteria. Consistent with that philosophy, certain restricted share unit awards granted during or prior to 2014 to Messrs. Kotick, Durkin, Tippl and Sakhnini have been made with vesting that is contingent on the achievement of specified profitability-focused performance objectives (as well as, in the case of awards to Mr. Kotick, relative shareholder return). Further, Mr. Sakhnini, the only named executive officer whose employment agreement was entered into, or amended, in 2014, received performance-based vesting restricted share units and stock options and did not receive any time-based vesting restricted share units in connection with the extension of his employment. The Compensation Committee chooses performance objectives that it believes relate to measures of overall Company performance on which our executives have direct impact. For the performance awards to Mr. Kotick, vesting is based on our non-GAAP diluted earnings per share, non-GAAP adjusted free cash flow and relative TSR. For Mr. Durkin, vesting is based on our non-GAAP diluted earnings per share. For Mr. Tippl, vesting is based on our non-GAAP diluted earnings per share, our non-GAAP adjusted free cash flow and Blizzard Entertainment's adjusted non-GAAP operating income. For Mr. Sakhnini, vesting is based on our adjusted non-GAAP operating income. Please see "—Employment Agreements" below for further details about each award.

#### **2014 Vesting and Cancellation of Performance-Based Equity Awards**

Based on Company performance during 2014 and, for Mr. Kotick, over a multi-year period including 2014, performance-based equity awards to our named executive officers vested or were cancelled as follows:

*Mr. Kotick:* 881,131 performance shares vested and 96,362 were cancelled, as follows:

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-376,247 vested and 92,632 were cancelled based on our 2013 and 2014 non-GAAP diluted earnings per share;

-248,743 vested and 3,730 were cancelled based on our 2013 and 2014 non-GAAP adjusted free cash flow;

-2,795 vested based on our relative TSR for the period July 1, 2011 through December 31, 2014;

-19,682 vested based on our relative TSR for the period January 1, 2012 through December 31, 2014; and

-233,664 vested based on our relative TSR for the period January 1, 2013 through December 31, 2014;

•*Mr. Tippl*: 290,396 restricted shares units vested and 50,515 were cancelled, as follows:

-116,424 vested and 38,535 were cancelled based on our 2014 non-GAAP diluted earnings per share;

80,996 restricted share units vested and 11,980 were cancelled based on our 2014 non-GAAP adjusted free cash flow; and

-92,976 restricted share units vested based on Blizzard Entertainment's adjusted 2014 non-GAAP operating income;

•*Mr. Durkin*: 90,000 restricted share units vested based on our 2014 non-GAAP diluted earnings per share; and

•*Mr. Sakhnini*: 25,000 restricted share units vested based on our 2014 non-GAAP operating income.

## **Dividend Equivalents**

The performance-based restricted share units awarded to Mr. Sakhnini in 2014 have no right to dividend equivalents, nor do the time-vesting restricted share units granted to Mr. Morhaime in 2014—and we do not anticipate granting time- or performance-based awards with the right to dividend equivalents in the future.

The performance-based restricted share units awarded to Messrs. Kotick, Durkin and Sakhnini in 2012 and the time-based restricted share units awarded to Mr. Morhaime in 2011, 2012 and 2013 are each entitled to dividend equivalents. However, the performance shares awarded to Mr. Kotick in 2012 and the performance-based restricted share units awarded to Mr. Tippl in 2014 will only receive dividend equivalents if and to the extent the underlying performance conditions are met and the awards vest.

## **Other Award Terms**

•

Stock options have an exercise price equal to the NASDAQ Official Closing Price of our Common Stock as reported on Nasdaq.com on the effective date of the grant.

Equity awards will generally cease to vest upon the termination of the holder's employment, and stock options will generally remain exercisable for thirty days after the termination date. For the impact of the termination of the employment of each named executive officer on his outstanding equity awards, please see "—Potential Payments upon Termination or Change of Control" below.

Upon the adoption of the 2014 Plan, we ceased making awards under the 2008 Plan, although it remains in effect and continues to govern outstanding awards granted thereunder.

### **Incentive Plan Limitations on Equity Awards**

Under our incentive plan, we cannot grant anyone, including our executive officers, options to purchase more than four million shares of our Common Stock in a single year. We are further currently restricted from granting anyone restricted share unit awards with respect to more than three million shares in a single year or from granting anyone more than six million performance shares in a single year.

### **Health and Welfare Benefits**

Our named executive officers are eligible to participate in our medical, vision and dental insurance programs. With the exception of Mr. Morhaime, our named executive officers are offered the same terms as the broad employee population. Pursuant to his employment agreement, Mr. Morhaime is entitled to health and welfare benefits that are, in the aggregate, on terms and conditions no less favorable than those made available to him prior to the Vivendi Games Combination. As such, we cover the full cost of Mr. Morhaime's health/medical insurance, and the plan in which he participates pays for the full amount of covered medical expenses. Please see the "Summary Compensation Table" below for further details.

Our named executive officers may also receive Company-paid life and disability insurance and/or participate in insurance programs only available to our senior employees. In addition, pursuant to the provisions of his employment agreement referenced in the prior paragraph, if Mr. Morhaime were to receive short-term disability insurance benefits, we would provide him with the difference between the amount he receives under the insurance and his base salary.

### **Retirement Arrangements**

We offer a 401(k) plan to all employees in the United States, including our named executive officers, and we match a certain percentage of each employee's contributions to our 401(k) plan (which, for Mr. Morhaime is, consistent with the benefits to which he was entitled prior to the Vivendi Games Combination, a higher percentage than our other

named executive officers). Please see the “Summary Compensation Table” below for further details.

We do not maintain other retirement benefit plans for our employees, including our named executive officers, such as a qualified pension plan or a special non-qualified or supplemental deferred compensation plan. We believe that retirement arrangements are particular to, and should remain the responsibility of, each individual officer. The emphasis on minimal retirement arrangements ensures that a substantial portion of our named executive officers’ long-term wealth accumulation depends on the achievement of Activision Blizzard profitability targets and the appreciation of our Common Stock.

### **Employment and Change-of-Control Arrangements**

To attract and retain talented executives, we provide severance benefits under certain conditions, which are negotiated with each executive officer in connection with a new or renewed employment agreement. In addition, Mr. Kotick has been provided certain change-of-control protection. The Compensation Committee believes these arrangements will incentivize the relevant individuals to maintain objectivity in the context of, and contribute to, a potential change-of-control transaction. These benefits for each of our named executive officers are described under “—Potential Payments upon Termination or Change of Control” below.

### **Perquisites**

We provide limited perquisites to our named executive officers, although our named executive officers are eligible to participate in a number of broad-based benefits programs that are available to all of our employees (*e.g.*, they are entitled to relocation assistance). See the “Summary Compensation Table” below for further details.

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## **Stock Ownership Guidelines**

In order to align the interests of our management with those of our stockholders, we believe that each of our executive officers should maintain a meaningful ownership stake in the Company. Accordingly, effective March 1, 2012, the Compensation Committee established stock ownership guidelines for our senior officers. After a competitive assessment conducted with the assistance of its independent consultant, the Compensation Committee adopted guidelines providing that our chief executive officer is expected to beneficially own shares of our Common Stock with a value at least equal to three times his or her then-current annual base salary and that each other executive officer is expected to beneficially own shares of our Common Stock with a value at least equal to his or her then-current annual base salary. Our executive officers are expected to accumulate the required stock within five years (so that anyone who is an executive officer of the Company as of the date on which these guidelines were adopted has five years from the adoption date and anyone who subsequently becomes an executive officer of the Company has five years from the date on which he or she becomes an executive). Further, if an executive officer does not satisfy these guidelines within the five year period, then, until he or she satisfies the guidelines, he or she will be required to hold 50% of the net shares received in connection with a grant of unrestricted shares, upon exercise of stock options or upon the vesting of restricted share units awards received, provided such shares received are under equity awards made after the adoption of the ownership guidelines and that such awards are specifically subject to the ownership guidelines.

## **Impact of Tax and Accounting Considerations**

### **Section 162(m) of the Internal Revenue Code—Limits on Compensation Deductibility**

In structuring compensation programs, setting individual compensation levels and awarding bonuses and incentive plan payments, the Compensation Committee considers the potential impact of Section 162(m). Section 162(m) generally prevents a publicly held corporation from taking a tax deduction when compensation paid to a covered employee (generally, the chief executive officer and any of the corporation's three other highest paid officers other than the chief financial officer) exceeds \$1.0 million in any taxable year unless:

- the compensation is payable solely on account of the attainment of pre-established objective performance goals;
- a committee of two or more outside directors determines the performance goals;
- our stockholders approve the material terms of the performance goals; and
- the committee certifies that the employee has met the performance goals.

The tax deductibility of compensation paid to other executives is not subject to these limitations.

We generally attempt to preserve the deductibility of elements of our performance-based incentives. However, we believe it is important that we retain the flexibility to structure compensation arrangements necessary to attract, retain and motivate the best executive talent, even though such elements may not be fully deductible under Section 162(m).

Payments under the CAIP and the Morhaime Profit Sharing Plan, each described above, are structured to be performance-based incentives within the meaning of both the 2008 Plan and the 2014 Plan and, therefore, deductible up to the \$10 million limit on the payment of such awards to any one person for a single year under the 2008 Plan and the 2014 Plan. For further detail on the CAIP structure, see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP”, and for further detail on the Morhaime Profit Sharing Plan structure, see “—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses—Morhaime Profit Sharing Plan” above.

Section 162(m) prevents us from deducting the incremental amount by which the sum of Mr. Morhaime’s base salary and payment under the Blizzard Bonus Plan for 2014 exceeds \$1.0 million. Section 162(m) also prevents us from deducting the amount by which, if any, the base salary for each other covered employee exceeds \$1.0 million.

As our chief financial officer, the deduction of Mr. Durkin’s compensation is not subject to Section 162(m).

#### **Section 409A of the Internal Revenue Code—Limits on Deferral of Compensation**

To the extent that any compensation paid or committed to any of our named executive officers constitutes a deferral of compensation within the meaning of Section 409A of the Internal Revenue Code, the Compensation Committee intends to cause that compensation to comply with the requirements of Section 409A and to avoid the imposition of penalty taxes and interest upon the person receiving the compensation.

#### **Accounting Considerations**

The Compensation Committee also takes accounting considerations, including the impact of Accounting Standards Codification (“ASC”) Topic 718, into account in structuring compensation programs and determining the form and amount of compensation awarded.

#### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included under “Executive Compensation—Compensation Discussion and Analysis” above. Based on that review and discussion, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and also be incorporated by reference into our Annual Report on Form 10-K for the period ended December 31, 2014.

**Members of the Compensation Committee**

*Robert J. Morgado (Chairperson), Robert J. Corti and Elaine Wynn*

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[Back to Contents](#)**Summary Compensation Table**

The table below presents compensation information with respect to each of our named executive officers earned during the periods indicated.

As previously discussed, we believe that entering into employment agreements with our executives is important to attracting and retaining top talent. When we make a long-term equity award to an executive officer, it is typically done in connection with the initial entry into an employment agreement, the renewal of that agreement or an amendment to that agreement in connection with a promotion or other assumption of new responsibilities. The target value of any such equity award is based upon the term of the agreement and such grants are typically the only equity grants made to our executive officers (other than Mr. Morhaime, who also receives annual grants of equity, consistent with the compensation to which he was entitled from Vivendi Games prior to the Vivendi Games Combination). Further, we view the value of these upfront equity awards on an annualized basis over the life of the employment agreement when evaluating an executive's total compensation. As the amounts shown in the Stock Awards and Option Awards columns in the table below include the value of any one-time, "upfront" awards made in connection with the entry into, renewal of or amendment of an employment agreement, the equity-based compensation and, as such, the total compensation shown for each executive may differ significantly from year to year, depending on whether he entered into an employment agreement (or amendment thereof), and therefore received an equity award, in a given year. Please see "—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Equity Incentives" above for further information about our equity granting practices.

Name and Principal Position	Year	Salary (\$)	Bonus <sup>(1)</sup> (\$)	Stock Awards <sup>(2)</sup> (\$)	Option Awards <sup>(3)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(4)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Robert A. Kotick	2014	2,196,616	—	—	—	4,595,173	87,023	<sup>(5)</sup> 6,878,812
President and Chief Executive Officer	2013	2,108,077	—	—	—	7,849,190	88,169	10,045,436
Dennis Durkin	2012	2,006,127	2,500,000	55,915,738 <sup>(6)</sup>	—	4,454,291	66,150	64,942,306
Chief Financial Officer	2014	713,737	—	—	—	597,248	17,855	<sup>(5)</sup> 1,328,840
	2013	679,625	627,353	—	—	765,008	30,540	2,102,526
Thomas Tipler	2012	545,000	1,250,000	9,384,000 <sup>(7)</sup>	1,469,396	590,653	236,059	13,475,108
Chief Operating Officer	2014	1,254,807	2,000,000	10,400,018 <sup>(8)</sup>	—	1,970,862	33,969	<sup>(5)</sup> 15,659,656
	2013	1,001,258	627,353	—	—	1,325,400	87,220	3,041,231
Michael Morhaime	2012	935,237	1,000,000	—	—	1,245,900	20,830	3,201,967
	2014	886,603	328,234	1,407,000	1,120,000	4,042,955	71,495	<sup>(5)</sup> 7,856,287
	2013	861,076	319,449	1,240,400	1,014,666	2,065,678	61,794	5,563,063

President and Chief Executive Officer, Blizzard Entertainment	2012	828,502	307,162	746,200	803,333	6,326,871	56,366	9,068,434
Humam Sakhnini Chief Strategy and Talent Officer	2014	658,835	—	—	<sup>(9)</sup> 1,279,064	431,805	24,355	<sup>(5)</sup> 2,394,059
	2013	627,346	518,235	—	—	479,309	16,013	1,640,903
	2012	595,115	100,000	1,759,500	<sup>(10)</sup> 360,049	429,216	13,747	3,257,627

The amount paid to Mr. Kotick for 2012 represents a signing bonus paid to him as inducement to enter into the Kotick Employment Agreement (as defined herein) (see “—Employment Agreements—Robert A. Kotick” below). The amount paid to Mr. Durkin for 2013 represents a special performance award he received in recognition of his significant contributions to the Company in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements. The amount paid to Mr. Durkin for 2012 represents a signing bonus paid to him as inducement to enter into the Durkin Employment Agreement (as defined herein) (see “—Employment Agreements—Dennis Durkin” below). The amount paid to Mr. Tippl for 2014 represents two-thirds of a special performance award he received in recognition of his significant contributions to the Company’s financial performance for 2012, which had a time-based vesting provision and was subsequently paid in 2014 pursuant to the December 2013 amendment to Mr. Tippl’s employment agreement with the Company (see “—Employment Agreements—Thomas Tippl” below). The amount paid to Mr. Tippl for 2013 represents a special performance award he received in recognition of his significant contributions to the Company in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements. The amount paid to Mr. Tippl for 2012 represents one-third of a special performance award he received in recognition of his significant contributions to the Company’s financial performance for the year, the remaining two-thirds of which was paid in January 2014, as previously described. The amounts paid to Mr. Morhaime for 2014, 2013 and 2012 consists of a bonus paid to him pursuant to the Blizzard Bonus Plan (see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Other Cash Bonus Programs or Awards for 2014” above). The amount paid to Mr. Sakhnini for 2013 represents a special performance award he received in recognition of his significant contributions to the Company in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements. The amount paid to Mr. Sakhnini for 2012 represents a special performance award he received for his exemplary performance during the year.

In all circumstances, the amounts in the Stock Awards column represent the aggregate grant date fair value of time-vesting restricted share units granted in the period computed in accordance with ASC Topic 718 by multiplying (a) the number of shares underlying the award, by (b) the closing price of our Common Stock on such grant date, rather than the portion being expensed for financial statement reporting purposes in that year. Beginning with grants in 2014, for awards of performance-based restricted share units, the amounts in the Stock Awards column represent the aggregate grant date fair value computed in accordance with ASC Topic 718, where the accounting grant date is established upon the determination of performance objectives for the relevant performance periods. For an explanation of the valuation of performance shares and performance-based restricted share units granted prior to 2014, see footnotes (6), (7) and (10). The Company believes this shift in methodology is appropriate as it aligns with the way performance-based restricted share units are expensed for accounting purposes.

Assumptions and key variables used in the calculation of the grant date fair values:

*for 2014, are discussed in footnote 15 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 26, 2015 (our “2014 10-K”)); for 2013, are discussed in footnote 15 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 3, 2014; and for 2012, are discussed in footnote 18 to our audited financial statements included in our Annual Report on Form 10-K/A filed with the SEC on February 27, 2013.*

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(3) *The amounts in the Option Awards column represent the aggregate grant date fair value of stock option awards granted in the period computed in accordance with ASC Topic 718. As such, in a year of grant, the full aggregate grant date fair value appears, rather than the portion being expensed for financial statement reporting purposes in that year.*

*Assumptions and key variables used in the calculation of the grant date fair values:*

*for 2014, are discussed in footnote 15 to our audited financial statements included in our 2014 10-K; for 2013, are discussed in footnote 15 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 3, 2014; and for 2012, are discussed in footnote 18 to our audited financial statements included in our Annual Report on Form 10-K/A filed with the SEC on February 27, 2013.*

*The amounts in this column for the named executive officers for each year represent cash incentives paid under the CAIP and, for Mr. Morhaime, amounts paid to him pursuant to the Morhaime Profit Sharing Plan. The amount paid to Mr. Kotick for 2013 also represents an additional performance-based bonus of \$3,250,000 paid to him (4) under the 2008 Plan in recognition of the Company's strong performance during 2013 and Mr. Kotick's significant contributions to the Company during the year. For a discussion of non-equity incentive plans, see "—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses" above.*

(5) *The "all other compensation" for 2014 consists of the following:*

Name	Perquisites, gifts and awards	Taxable income reimbursement	Company 401(k) plan "matching" contributions	Life, disability or medical insurance premiums	Total "Other Compensation"
Robert A. Kotick	\$ —	\$ —	\$ 4,600	\$ 82,423	\$ 87,023
Dennis Durkin	\$ —	\$ —	\$ 3,500	\$ 14,355	\$ 17,855
Thomas Tippl	\$ —	\$ —	\$ 3,500	\$ 30,469	\$ 33,969
Michael Morhaime	\$ —	\$ 1,093	(a) \$ 9,360	\$ 61,042	\$ 71,495
Humam Sakhnini	\$ 2,750	(b) \$ 2,595	(c) \$ 3,500	\$ 15,510	\$ 24,355

*This amount represents a reimbursement for taxes Mr. Morhaime incurred on merchandise he received from (a) Blizzard Entertainment. The value of the merchandise is not included as it was provided as part of a broad-based program for employees of Blizzard Entertainment.*

*(b) This amount represents tickets for a sporting event provided by the Company as a reward for Mr. Sakhnini's performance.*

*(c) This amount represents a reimbursement for taxes Mr. Sakhnini incurred on the compensation referenced in footnote (b).*

(6) *This amount reflects the value of the following two one-time "upfront" awards made to Mr. Kotick in 2012 in connection with the entry into the Kotick Employment Agreement, which were intended to incentivize and recognize performance throughout the term of his multi-year agreement—time-vesting restricted share units with a reported grant date fair value of \$25,680,135 and performance shares with a reported grant date fair value of \$30,235,603. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance shares was based on the closing market price of our Common*

Stock on the date of grant (i.e., March 15, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance shares subject to market-based conditions was computed in accordance with ASC Topic 718 using a “Monte Carlo” valuation methodology, which incorporates into the valuation the possibility of the achievement of the market condition; (2) the grant date fair value of the portion of the performance shares subject to non-market conditions for which the metrics were established at the time of grant (i.e., for the 2011-2012, 2012-2013 and 2013-2014 performance periods) was computed in accordance with ASC Topic 718; and (3) the grant date fair value of the portion of the performance shares subject to non-market conditions for which the metrics were not established at the time of grant (i.e., for the 2014-2015 performance period) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming a target level of performance under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance shares. Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the grant date fair value for the performance shares would have been \$46,250,004. On March 5, 2014, the Compensation Committee established the metrics for the 2014-2015 performance period and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$2,733,920, assuming target performance, and by \$5,467,840, assuming maximum performance, due to share price appreciation between March 15, 2012 and March 5, 2014).

- This amount reflects the value of the following two one-time “upfront” awards made to Mr. Durkin in 2012 in connection with the entry into the Durkin Employment Agreement—time-vesting restricted share units with a reported grant date fair value of \$4,105,500 and performance-based restricted share units with a reported grant date fair value of \$5,278,500. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance-based restricted share units was based on the closing market price of our Common Stock on the date of grant (i.e., March 6, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were established at the time of grant (i.e., for the 2012 performance period) was computed in accordance with ASC Topic 718; and (2) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were not established at the time of grant (i.e., for the 2013, 2014, 2015 and 2016 performance periods) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming the performance objective is met or exceeded under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance-based restricted share units. On January 31, 2013, the metric for the 2013 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was less than the amount reported in 2012 by \$29,700, due to share price depreciation between March 6, 2012 and January 31, 2013). On January 29, 2014, the metric for the 2014 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$466,200, due to share price appreciation between March 6, 2012 and January 29, 2014). On March 4, 2015, the metric for the 2015 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$1,008,000, due to share price appreciation between March 6, 2012 and March 4, 2015).
- (7) This amount reflects the value of the following two one-time “upfront” awards made to Mr. Durkin in 2012 in connection with the entry into the Durkin Employment Agreement—time-vesting restricted share units with a reported grant date fair value of \$4,105,500 and performance-based restricted share units with a reported grant date fair value of \$5,278,500. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance-based restricted share units was based on the closing market price of our Common Stock on the date of grant (i.e., March 6, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were established at the time of grant (i.e., for the 2012 performance period) was computed in accordance with ASC Topic 718; and (2) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were not established at the time of grant (i.e., for the 2013, 2014, 2015 and 2016 performance periods) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming the performance objective is met or exceeded under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance-based restricted share units. On January 31, 2013, the metric for the 2013 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was less than the amount reported in 2012 by \$29,700, due to share price depreciation between March 6, 2012 and January 31, 2013). On January 29, 2014, the metric for the 2014 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$466,200, due to share price appreciation between March 6, 2012 and January 29, 2014). On March 4, 2015, the metric for the 2015 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$1,008,000, due to share price appreciation between March 6, 2012 and March 4, 2015).
- (8) This amount reflects the value of the following two one-time “upfront” awards made to Mr. Tippl in 2014 in connection with the extension of his term of employment pursuant to the Tippl Employment Agreement (as defined herein) (see “— Employment Agreements—Thomas Tippl—Employment Agreement” below) — time-vesting restricted share units with a reported grant date fair value of \$5,999,993 and performance-based restricted share units tied to the 2014 performance period with a reported grant date fair value of \$4,400,025 assuming a target level of performance under the performance conditions established for the 2014 performance period. This grant date fair value of time-vesting restricted share units granted in 2014 was computed in accordance with ASC Topic 718. Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the reported grant date fair value for performance-based restricted share

*units tied to the 2014 performance period would have been \$6,600,037. In the future, additional amounts will be reported for each of 2015 and 2016, when the performance conditions are established for the performance-based restricted share units tied to the 2015 and 2016 performance periods. On March 4, 2015, the metrics for the 2015 performance period were established and a grant date fair value for that portion of the award (which will be reported in next year's Summary Compensation Table) was established for financial reporting purposes in accordance with ASC Topic 718 in the amount of \$5,211,362 (assuming target level of performance under the performance conditions and the closing market price of our common stock on the date the performance metrics were established (i.e., March 4, 2015). Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the reported grant date fair value for the 2015 performance period would have been \$7,817,043.*

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(9) *In 2014, in connection with the extension of his term of employment pursuant to the Sakhnini Employment Agreement (as defined herein) (see “—Employment Agreements—Humam Sakhnini” below), the Company made a one-time “upfront” award to Mr. Sakhnini. This amount reflects the grant date fair value of performance-based restricted share units granted in 2014, as computed in accordance with ASC Topic 718. For 2014, there is no value associated with the performance-based restricted share units as the performance condition was not yet established for the initial 2015 performance period. In the future, additional amounts will be reported for each of 2015, 2016 and 2017, assuming a target level of performance under the performance conditions established for the 2015, 2016 and 2017 performance periods, as applicable, and based upon the closing market price of our Common Stock upon the establishment of performance metrics. On March 4, 2015, the metric for the performance-based restricted share units tied to the 2015 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 in the amount of \$741,533 (assuming target level of performance under the performance condition and based on the closing market price of our common stock on the date the performance metric was established (i.e., March 4, 2015)). Based upon this same methodology and assuming achievement of the maximum outcome of the performance conditions (as opposed to target level), the reported grant date fair value for the 2015 performance period would have been \$926,916.*

(10) *This amount reflects the value of the following two one-time “upfront” awards made to Mr. Sakhnini in 2012 in connection with the entry into the Sakhnini Employment Agreement—time-vesting restricted share units with a reported grant date fair value of \$879,750 and performance-based restricted share units with a reported grant date fair value of \$879,750. The value of the award of time-vesting restricted share units was computed in accordance with ASC Topic 718. The value of the award of performance-based restricted share units was based on the closing market price of our Common Stock on the date of grant (i.e., March 6, 2012) and our assessment on that date of the probable outcome of the performance conditions. More specifically: (1) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were established at the time of grant (i.e., for the 2012 performance period) was computed in accordance with ASC Topic 718; and (2) the grant date fair value of the portion of the performance-based restricted share units for which the metrics were not established at the time of grant (i.e., for the 2013 and 2014 performance periods) was calculated by multiplying (a) the number of shares underlying that portion of the award, assuming the performance objective is met or exceeded under the performance conditions to be established for that performance period, by (b) the closing price of our Common Stock on the grant date of the performance-based restricted share units. On January 31, 2013, the metric for the 2013 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was less than the amount reported in 2012 by \$8,250, due to share price depreciation between March 6, 2012 and January 31, 2013). On January 29, 2014, the metric for the 2014 performance period was established and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC Topic 718 (which amount was greater than the amount reported in 2012 by \$129,500, due to share price appreciation between March 6, 2012 and January 29, 2014).*

[Back to Contents](#)**Grants of Plan-Based Awards for 2014**

The table below provides information regarding the grants of plan-based awards made to each of our named executive officers during 2014:

Name	Grant Type	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
				Threshold (\$)	Target (\$)	Maximum (\$)
Robert A. Kotick	2008 Plan/CAIP <sup>(2)</sup>			0	4,376,400	10,000,000
Dennis Durkin	2008 Plan/CAIP <sup>(2)</sup>			0	682,500	10,000,000
Thomas Tipl	2008 Plan/CAIP <sup>(2)</sup>			0	1,875,000	10,000,000
	2008 Plan/Equity <sup>(3)</sup>	2/10/2014	1/15/2014 <sup>(4)</sup>			
	2008 Plan/Equity	2/10/2014	1/15/2014 <sup>(4)</sup>			
Michael Morhaime	2008 Plan/CAIP <sup>(2)</sup>			0	233,111	6,221,325 <sup>(7)</sup>
	2014 Plan/MPSP <sup>(8)</sup>			0	1,850,120	—
	2014 Plan/Equity	11/14/2014	10/30/2014 <sup>(4)</sup>			
	2014 Plan/Equity	11/14/2014	10/30/2014 <sup>(4)</sup>			
Humam Sakhnini	2008 Plan/CAIP <sup>(2)</sup>			0	472,500	10,000,000
	2014 Plan/Equity <sup>(3)</sup>	11/14/2014	10/30/2014 <sup>(4)</sup>			

*The grant date fair value of the stock and stock option awards is computed in accordance with ASC Topic 718.*

<sup>(1)</sup> *Please see footnotes (2) and (3) to the Summary Compensation Table for information about the assumptions and key variables used in the calculation of the grant date fair values. All stock options granted have an exercise price equal to the fair market value of a share of our Common Stock on the date of grant.*

*Each of our named executive officers had an opportunity to earn a CAIP bonus for his 2014 performance under the 2008 Plan. None were entitled to a minimum amount thereunder. The target bonus for each named executive officer was based on his base salary rate in effect at the time the opportunity was approved by our Compensation*

<sup>(2)</sup> *Committee and assumes 100% performance for the relevant financial and individual strategic goals established under the CAIP. For more information about the CAIP and the opportunities for each of our named executive officers thereunder, including the maximum bonus opportunity for each, please see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—2014 Incentive Opportunities under the CAIP” above.*

<sup>(3)</sup> *As more fully described in footnotes (2), (8) and (9) to the Summary Compensation Table, the performance-vesting restricted share units granted to Messrs. Tipl and Sakhnini in 2014 for which the performance metrics were not established at the time of grant are not included, but will be included in the “Grants of Plan-Based Awards” table in future years to coincide with the accounting grant date when the performance metrics are established.*

<sup>(4)</sup> *These equity awards were approved during a “trading blackout” as described in our insider trading and pre-clearance policies, so, in accordance with our equity granting procedures, the effective date of the awards was delayed until after the first trading day after that trading blackout period was no longer in effect. Further, awards with performance-based vesting criteria are not granted, for these purposes, until the underlying metrics have been established.*

<sup>(5)</sup> *This represents performance-based restricted share units, each representing the conditional right to receive one share of our Common Stock, that were granted to Mr. Tipl in connection with the extension of his employment with us through April 2016 (or, if we so elect, through April 2017). These restricted share units vest on March 31,*



2015, subject to Mr. Tippl's continued employment through such date, as follows: (a) approximately 45% (i.e., a maximum of 154,959) vest if the Compensation Committee determines that the non-GAAP diluted earnings per share objective set forth in our AOP for 2014 has been met or exceeded; (b) approximately 27% (i.e., a maximum of 92,976) vest if the Compensation Committee determines that the non-GAAP adjusted free cash flow objective set forth in our AOP for 2014 has been met or exceeded; and (c) approximately 27% (i.e., a maximum of 92,976) vest if the Compensation Committee determines that the adjusted non-GAAP operating income objective for Blizzard Entertainment set forth in our AOP for 2014 has been met or exceeded. In each case: (i) if actual performance is below 75% of target, no shares subject to the performance criteria will be earned; (ii) if actual performance is 100% of target, 100% of the target shares subject to the operating performance criteria will be earned; (iii) if actual performance is 150% of target or above, all of the shares (i.e., 150% of the target shares) subject to the operating performance criteria will be earned; and (iv) if actual performance falls between two thresholds, the number of shares subject to the operating performance criteria that will be earned will be determined using straight-line interpolation. If dividends are declared on our Common Stock, if and when the restricted share units vest, Mr. Tippl will receive a cash dividend equivalent payment in an amount equal to the dividend to which he would have been entitled had the restricted share units been issued and outstanding Common Stock as of the record date for such dividend. In accordance with ASC Topic 718, only the portion of the award for which the performance metrics were established during 2014 is reflected in this table. For more information on the remainder of this performance-vesting award, for which metrics will be established in connection with the approval of the relevant year's AOP, see "*—Employment Agreements—Thomas Tippl—Employment Agreement*" below. This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, that were granted to Mr. Tippl in connection with the extension of his employment with us through April 2016 (or, if we so elect, through April 2017). One-third of these restricted share units will vest on each of March (6)31, 2015, 2016 and 2017, subject to Mr. Tippl's continued employment through such date. If dividends are declared on our Common Stock, Mr. Tippl will receive a cash dividend equivalent payment in an amount equal to the dividend to which he would have been entitled had the restricted share units been issued and outstanding Common Stock on the record date for such dividend.

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Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant D Value o Option (\$)
Threshold (#)	Target (#)	Maximum (#)				
0	227,274 <sup>(5)</sup>	340,911 <sup>(5)</sup>	309,917	(6)		4,400,0
			70,000	(9)		5,999,9
				200,000	(10) 20.10	1,407,0
				215,210	(11) 20.10	1,120,0
						1,279,0

(7) As discussed in footnote (8) below, Mr. Morhaim e participates in the Morhaim e Profit Sharing Plan. As the amount paid to Mr. Morhaim e under the Morhaim e Profit Sharing Plan is a “senior executive plan bonus” within the meaning of both the 2008 Plan and the 2014 Plan, the sum of the amount of bonuses, if any, paid to him for any given year under the Morhaim e Profit Sharing Plan and the CAIP may not exceed the limit under both the 2008 Plan and the 2014 Plan of \$10 million. As such, the maximum bonus Mr. Morhaim e was eligible to earn under the CAIP 2014 was adjusted to reflect the payment he received under the Morhaim e Profit Sharing Plan for the year.

(8) Pursuant to the Morhaim e Employment Agreement (as defined herein) (see “—Employment Agreements—Michael Morhaim e” below), Mr. Morhaim e participates in the Morhaim e Profit Sharing Plan (see “—Employment Agreements—Michael Morhaim e” below). In accordance therewith, Mr. Morhaim e is entitled to share in an annual profit sharing pool, the aggregate amount of which depends upon Blizzard Entertainment’s earnings for that year. While Mr. Morhaim e is entitled to an amount equal to up to 6% of the pool, because the amount of the pool cannot be known at the beginning of a year, no target amount is determinable and the target amount shown is a representative amount equal to the amount Mr. Morhaim e received under the Morhaim e Profit Sharing Plan with respect to 2013. Further, while Mr. Morhaim e is entitled to receive an amount equal to a minimum specified percentage of that pool, because there is no certainty there will be a pool, there is no minimum or maximum amount to which he is entitled. For more information about the Morhaim e Profit Sharing Plan, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (i.e., the CAIP) and Other Performance-Based Bonuses—Morhaim e Profit Sharing Plan” above.

(9) This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, that were granted to Mr. Morhaim e pursuant to the Morhaim e Employment Agreement as part of our annual equity award process. One-third of these restricted share units will vest on each of November 13, 2015, 2016 and 2017, subject to Mr. Morhaim e’s continued employment through such date.

(10) These options to purchase our Common Stock were granted to Mr. Morhaim e pursuant to the Morhaim e Employment Agreement as part of our annual equity award process. One-third of these stock options will vest each of November 13, 2015, 2016 and 2017, subject to Mr. Morhaim e’s continued employment through such date.

(11) These options to purchase our Common Stock were granted to Mr. Sakhnini pursuant to the Sakhnini Employment Agreement in connection with the extension of his employment with us through March 2017 (or, if we so elect, through March 2018). Two-third of these options vest on March 30, 2017 and the remaining one-third vest on March 30, 2018, subject to Mr. Sakhnini’s continued employment through such date.



[Back to Contents](#)**Outstanding Equity Awards at December 31, 2014**

The table below sets forth the outstanding equity awards for each of our named executive officers as of December 31, 2014:

Name	Option Awards			Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(2)</sup> (\$)
	Number of Securities Underlying Unexercised Options Exercisable <sup>(1)</sup> (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(2)</sup> (\$)		
Robert A. Kotick	262,998	—	9.57	6/15/2017			1,030,500 <sup>(3)</sup>	20,764,575
	3,700,000	—	13.29	12/1/2017			652,650 <sup>(5)</sup>	13,150,898
Dennis Durkin					262,500 <sup>(7)</sup>	5,289,375	270,000 <sup>(6)</sup>	5,440,500
Thomas Tippel <sup>(9)</sup>	37,500	225,000 <sup>(8)</sup>	11.73	3/6/2022				
	44,427	—	10.89	5/10/2020				
Michael Morhaime					309,917 <sup>(12)</sup>	6,244,828		681,817 <sup>(10)</sup>
					133,332 <sup>(13)</sup>	2,686,640		
					23,333 <sup>(14)</sup>	470,160		
					46,666 <sup>(15)</sup>	940,320		
					70,000 <sup>(16)</sup>	1,410,500		
	600,000	—	15.04	7/9/2018				
	100,000	100,000 <sup>(17)</sup>	11.88	11/8/2020				
	66,666	—	12.98	11/10/2021				
	66,667	66,666 <sup>(18)</sup>	10.66	11/9/2022				
	66,667	133,333 <sup>(19)</sup>	17.72	11/15/2023				

	—	200,000	(20) 20.10	11/14/2024		
Humam Sakhnini					25,000	(21) 503,750
					97,015	(22) 1,954,852
					25,000	(24) 503,750
	—	25,000	(25) 11.73	03/06/2022		
	—	215,210	(26) 20.10	11/14/2024		

(1) All exercisable stock options are currently vested.

(2) Calculated using the NASDAQ Official Closing Price of \$20.15 per share of our Common Stock on December 31, 2014, the last trading day in 2014.

(3) The number of performance shares reflected in the table is the target amount for the two remaining performance periods; the maximum number of performance shares subject to the award at December 31, 2014 was 2,407,472 and include 346,466 performance shares from the first and second performance periods that are eligible to vest at the end of future performance periods. These performance shares vest in accordance with the Kotick Employment Agreement. Please see “—Employment Agreements—Robert A. Kotick” below. On March 31, 2015, 881,131 of the performance shares vested based on performance assessed through December 31, 2014.

(4) This value is based on the target amount for the two remaining performance periods: if the highest level of performance is assumed, the market value of the unvested performance shares, calculated in the manner described in footnote (2), would be \$48,510,561.

(5) One-sixtieth of the award vests on the first day of each month, with the exception of the final tranche, which will vest on June 30, 2016. In accordance with that vesting schedule, 34,350 of these restricted share units vested on each of January 1, February 1, March 1 and April 1, 2015.

(6) One-third of these restricted share units vest on each of March 14, 2015, 2016 and 2017, in each case only if the Compensation Committee determines that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year has been met or exceeded. The performance metric related to 2014 was satisfied and, on March 14, 2015, 90,000 of these restricted share units vested.

(7) One-third of these restricted share units vested on March 14, 2015 and one-third will vest on each of March 14, 2016 and 2017.

(8) One-third of these stock options vested on March 14, 2015 and one-third will vest on each of March 14, 2016 and 2017.

(9) As a result of Mr. Tippl’s transfer by gift, all of his outstanding equity awards are held in the name of the Thomas and Laura Tippl Family Trust. Mr. Tippl and his wife, Laura Tippl, are co-trustees of the trust and share voting and investment power with respect to those securities.

(10) The number of performance-based restricted share units reflected in the table is the target amount for all of the performance periods; the maximum number of restricted share units subject to the award at December 31, 2014 was 1,022,728. These restricted share units vest in accordance with Mr. Tippl’s employment agreement with us (the “Tippl Employment Agreement”). Please see “—Employment Agreements—Thomas Tippl—Employment Agreement” below. On March 31, 2015, 290,396 of the restricted share units vested.

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*This value is based on the target amount for all of the performance periods; if the highest level of performance is assumed, the market value of the unvested restricted share units, calculated in the manner described in footnote (2), would be \$20,607,969.*

*(11) One-third of these restricted share units vested on March 31, 2015 and one-third will vest on each of March 31, 2016 and 2017.*

*(12) One-half of these restricted share units vest on each of December 31, 2015 and 2016.*

*(13) These restricted share units vest on November 8, 2015.*

*(14) One-half of these restricted share units vest on each of November 14, 2015 and 2016.*

*(15) One-third of these restricted share units vest on each of November 13, 2015, 2016 and 2017.*

*(16) One-half of these stock options vest on each of December 31, 2015 and 2016.*

*(17) These stock options vest on November 8, 2015.*

*(18) One-half of these stock options vest on each of November 14, 2015 and 2016.*

*(19) One-third of these stock options vest on each of November 13, 2015, 2016 and 2017.*

*These restricted share units vest on March 30, 2015, only if the Compensation Committee determines that the operating income objective for the Company set forth in our AOP for 2014 has been met or exceeded. The performance metric was satisfied and, on March 30, 2015, these restricted share units vested.*

*The number of performance-based restricted share units reflected in the table is the target amount for all of the performance periods; the maximum number of restricted share units subject to the award at December 31, 2014 was 121,269. These restricted share units vest in accordance with the Sakhnini Employment Agreement. Please see “—Employment Agreements—Humam Sakhnini” below.*

*This value is based on the target amount for all of the performance periods; if the highest level of performance is assumed, the market value of the unvested restricted share units, calculated in the manner described in footnote (2), would be \$2,443,570.*

*(20) These restricted share units vested on March 30, 2015.*

*(21) These stock options vested on March 30, 2015.*

*(22) Two-third of these stock options vest on March 30, 2017 and the remaining one-third vest on March 30, 2018.*

For the impact of the termination of the employment of each named executive officer on his equity awards, please see “—Potential Payments upon Termination or Change of Control” below.

[Back to Contents](#)**Option Exercises and Stock Vested for 2014**

The table below sets forth details with respect to the stock options exercised by, and the restricted shares and restricted share units that vested for, or were otherwise transferred for value by, our named executive officers in 2014:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Robert A. Kotick	14,181	(3) 181,557	1,232,141	25,205,229
Dennis Durkin	37,500	401,711	177,500	3,727,500
Thomas Tipl <sup>(4)</sup>	1,680,573	13,565,178	173,750	3,440,250
Michael Morhaime	—	—	(5) 136,667	2,776,006
Humam Sakhnini	339,000	3,568,160	50,000	1,022,500

*As each of these transactions involved a same-day sale, the “Value Realized on Exercise” is computed by multiplying (1) the number of shares exercised by the difference between sale price of the shares and the exercise price of the underlying stock options.*

*The “Value Realized on Vesting” is computed by multiplying the number of shares of stock or units by the NASDAQ (2) Official Closing Price of our Common Stock on the vesting date (or if that date is not a trading date, the immediately preceding trading date).*

*These options were held at the time of exercises by the 451211 Trust, a trust for the benefit of Mr. Kotick’s minor (3) children, over which Mr. Kotick does not exercise voting or investment power and as to which he disclaims beneficial ownership.*

*(4) These awards were held by the Thomas and Laura Tipl Family Trust at the time of exercise or vesting, as the case may be.*

*Mr. Morhaime received \$163,537 upon the exercise of 35,446 cash-settled options granted to him by Vivendi which we paid, in accordance with our investor agreement with Vivendi entered into in connection with the Vivendi (5) Games Combination. For more information about our obligation, see “Certain Relationships and Related Transactions—Relationships and Transactions with Vivendi and its Affiliates—Amended and Restated Investor Agreement” below.*

**Employment Agreements**

As previously discussed, we believe that entering into employment agreements with our executives is important to attracting and retaining the executive talent necessary to lead us. The following is a summary of the material terms regarding compensation set forth in the employment agreement we have entered into with each of our named executive officers. Certain provisions regarding payments and benefits upon termination or a change of control, which are described under “—Potential Payments upon Termination or Change of Control” below, are not included in the following summary.

**Robert A. Kotick**

Robert A. Kotick is party to an employment agreement with us, dated as of March 15, 2012 (the “Kotick Employment Agreement”), pursuant to which he serves as our President and Chief Executive Officer. Mr. Kotick’s term of employment under the Kotick Employment Agreement began on March 15, 2012, and continues through June 30, 2016.

Pursuant to the Kotick Employment Agreement, Mr. Kotick’s annual base salary was \$2,000,000 as of July 1, 2011. Beginning in 2013, Mr. Kotick’s annual base salary was and will be increased as of January 1<sup>st</sup> of each year during the term in an amount at least equal to the average percentage increase approved by the Compensation Committee for members of the executive leadership team with respect to that year (excluding any increase guaranteed to any such person by contract or due to such person’s promotion or other significant modification in duties). For more information about Mr. Kotick’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Mr. Kotick is also entitled to receive an annual bonus under the CAIP, with a target amount of 200% of his base salary. The actual amount of any bonus Mr. Kotick may receive under the CAIP is determined by the Compensation Committee based on his achievement of mutually agreed objectives, his overall performance and the Company’s financial performance. The form of any such bonus is determined by the Compensation Committee at its sole discretion. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. In addition, Mr. Kotick received a one-time cash signing bonus payment of \$2,500,000 in connection with his entry into the Kotick Employment Agreement. Further, pursuant to the Kotick Employment Agreement, the Compensation Committee, at its sole discretion, may award Mr. Kotick a performance bonus at any time in an amount and form determined by the Compensation Committee. Mr. Kotick is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain a supplemental term life insurance policy in the amount of \$18 million for the benefit of his estate until March 14, 2022.

As an inducement to enter into the Kotick Employment Agreement, in 2012 Mr. Kotick received a grant of 2,061,006 restricted share units, the number of which was based on a value on the date of grant (*i.e.*, March 15, 2012) approximately equal to \$25,000,000. As the Company’s “gross profit” for 2012 (as determined in accordance with



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the Kotick Employment Agreement) was greater than or equal to \$500,000,000, on March 15, 2013, the restricted share units vested with respect to one-third of the award (representing the twenty month-long vesting tranches between August 1, 2011 and March 1, 2013) and thereafter one-sixtieth of the award vested and will vest, as the case may be, on the first day of each month, with the exception of the final tranche, which will vest on the expiration date of the Kotick Employment Agreement.

As further inducement to enter into the Kotick Employment Agreement, in 2012 Mr. Kotick received a grant of 4,122,012 performance shares, each representing the right to receive one share of our Common Stock, the number of which assumes maximum performance and was based on a value on the date of grant (*i.e.*, March 15, 2012) approximately equal to \$50,000,000; target performance would result in a release of 2,061,006 shares. The overall value of those equity awards is intended to incentivize and recognize performance throughout the term of the contract, and, as such, a significant portion is contingent on financial performance over a five-year period assessed by four overlapping two-year performance periods. Specifically, seventy percent of the performance shares are subject to vesting conditions based upon our operating performance in overlapping two-year periods (*i.e.*, 2011-2012, 2012-2013, 2013-2014 and 2014-2015). With respect to 65% of those shares, our operating performance is measured by reference to the Company's non-GAAP diluted earnings per share over the relevant two-year period and, with respect to 35% of those shares, our operating performance is measured by reference to the Company's non-GAAP adjusted free cash flow over the relevant two-year period. In each case: (1) if actual performance is below 75% of target, no shares subject to the operating performance criteria will be earned; (2) if actual performance is 75% of target, 75% of the target shares subject to the relevant operating performance criteria will be earned; (3) if actual performance is 100% of target, 100% of the target shares subject to the operating performance criteria will be earned; (4) if actual performance is 125% of target or above, all of the shares (*i.e.*, 200% of the target shares) subject to the operating performance criteria will be earned; and (5) if actual performance falls between two thresholds, the number of shares subject to the operating performance criteria that will be earned will be determined using straight-line interpolation. The remaining 30% of the performance shares also vest in overlapping two-year periods, other than the performance period for 2011-2012, which was measured from July 1, 2011 through December 31, 2012, based on our compound annual TSR between the average closing price of our Common Stock during the 30 days immediately preceding the commencement of the applicable performance period and the average closing price of our Common Stock during the 30 days immediately preceding the end of the applicable performance period, as compared to the TSR of the NASDAQ Composite measured over the same 30-day periods in such performance period and calculated in an analogous manner. For each performance period, if our TSR is 20 percentage points or more below the TSR of the NASDAQ Composite, no shares subject to the TSR performance criteria will be earned; if our TSR is 10 percentage points below the TSR of the NASDAQ Composite, 50% of the target shares subject to the TSR performance criteria will be earned; if our TSR equals the TSR of the NASDAQ Composite, all of the target shares subject to the TSR performance criteria will be earned; if our TSR is 10 percentage points more than the TSR of the NASDAQ Composite, 150% of the target shares subject to the TSR performance criteria will be earned; and if our TSR is 20 percentage points more than the TSR of the NASDAQ Composite, all (*i.e.*, 200% of the target) of the performance shares subject to the TSR performance criteria will be earned. If actual performance falls between two thresholds, the number of shares subject to the TSR performance criteria that will be earned will be determined using straight-line interpolation. In addition, to the extent that not all of the shares are earned, those missed shares may vest at the end of subsequent performance periods based on relative achievement of TSR measures, where the beginning average price of our Common Stock is measured by reference to the 30-day period beginning 30 days prior to the commencement of the performance period with respect to which such shares were missed. Further, the vesting of the performance shares for the performance period for 2011-2012 was also contingent upon the Company's "gross profit" for 2012 (as determined in accordance with the Kotick Employment Agreement) being greater than or equal to \$500,000,000.

Pursuant to the Kotick Employment Agreement, if there is a change of control during the term of his employment under the Kotick Employment Agreement, Mr. Kotick will be entitled to a cash bonus payable within 10 days of such change of control in an amount of at least \$30,000,000, which may be increased up to \$45,000,000 at the good faith discretion of the Compensation Committee. Mr. Kotick will also receive that bonus if he is terminated without cause (as defined in the Kotick Employment Agreement) and a change of control is consummated within the six months after his termination (in which case the bonus will be paid on the date which is six months after his termination date). Please see “—Potential Payments Upon Termination or Change of Control” below for the definition of change of control used in the Kotick Employment Agreement. Although the transactions contemplated by the Vivendi Share Purchase Agreement could have been deemed to constitute a change of control as defined in his employment agreement, Mr. Kotick voluntarily waived any rights he had to payments, benefits and vesting upon a change of control under his agreement in connection therewith. Please see “Certain Relationships and Related Transactions—Relationships and Transactions—Relationships with Our Directors and Executive Officers—Waiver and Acknowledgement Letters” below for further information on the waiver.

Pursuant to the Kotick Employment Agreement, until the second anniversary of the expiration of the term of his employment under the agreement, Mr. Kotick is restricted from soliciting the employment of anyone then-employed by us or our affiliates (or anyone who was employed by us or them during the then-most recent six-month period). In addition, Mr. Kotick is prohibited from competing with us during the term of his employment under the Kotick Employment Agreement.

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## **Dennis Durkin**

Dennis Durkin is party to an employment agreement with us, dated as of February 29, 2012 (the “Durkin Employment Agreement”), pursuant to which he serves as our Chief Financial Officer. Mr. Durkin’s term of employment under the Durkin Employment Agreement began on March 1, 2012 and continues through March 15, 2017.

Pursuant to the Durkin Employment Agreement, Mr. Durkin’s annual base salary was \$650,000 as of March 1, 2012 and was and will be increased by at least 5% annually. For more information about Mr. Durkin’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Mr. Durkin is also eligible for an annual bonus under the CAIP with a target amount of 100% of his base salary, the actual amount of which is determined at the Company’s sole discretion based on his overall performance and the Company’s performance. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. Mr. Durkin is also entitled to participate in all benefit plans generally available to our executive officers and we are required to maintain a \$3 million supplemental term life insurance policy for the benefit of his estate throughout the term of his employment.

As an inducement to enter into the Durkin Employment Agreement, in 2012 Mr. Durkin was (1) paid a signing bonus of \$1,250,000, (2) granted an option to purchase 300,000 shares of our Common Stock, which vested or will vest, as the case may be, in four equal installments on each of March 14, 2014, 2015, 2016 and 2017, (3) granted 350,000 restricted share units, which vested or will vest, as the case may be, in four equal installments on each of March 14, 2014, 2015, 2016 and 2017, and (4) granted 450,000 performance-based restricted share units, (A) one-fifth of which vested on each of March 14, 2013, 2014 and 2015, in each case following the Compensation Committee’s determination that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year had been met or exceeded and (B) one-fifth of which will vest on each of March 14, 2016 and 2017, in each case, only if the Compensation Committee determines that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year has been met or exceeded.

Pursuant to the Durkin Employment Agreement, until the second anniversary of the expiration of the term of his employment, Mr. Durkin is restricted from soliciting the employment of anyone then employed by us or our subsidiaries (or anyone who was employed by us or them during his final 90 days of employment). Mr. Durkin is also restricted from inducing any of our business partners to alter its relationship with us while he is our employee. Mr. Durkin is also generally not permitted to negotiate for other employment before the final six months of the term of his employment under the Durkin Employment Agreement. In addition, Mr. Durkin is prohibited from competing with us during the term of his employment under the Durkin Employment Agreement.

## **Thomas Tippl**

## Employment Agreement

Thomas Tippl is party to an employment agreement with us, dated as of September 9, 2005, amended as of December 15, 2008, April 15, 2009, March 23, 2010, and December 5, 2013, and assigned to us by Activision Publishing on April 15, 2009 (the “Tippl Employment Agreement”), pursuant to which he served as the Chief Financial Officer of Activision Publishing until the consummation of the Vivendi Games Combination, as our Chief Financial Officer from the consummation of the Vivendi Games Combination until February 2009, as our Chief Corporate Officer and Chief Financial Officer from February 2009 until March 2010 and, since March 2010 serves as our Chief Operating Officer (as well as continuing to serve as our Chief Financial Officer until a replacement was hired in March 2012). Mr. Tippl’s term of employment under the Tippl Employment Agreement began on October 1, 2005 and continues through April 30, 2016 (subject to our right to extend for an additional year).

Pursuant to the Tippl Employment Agreement, Mr. Tippl’s annual base salary was \$1,250,000 as of December 5, 2013, and beginning in 2015, will be increased by an amount at least equal to the average percentage increase approved by the Compensation Committee for members of the executive leadership team with respect to that year (excluding any increase guaranteed to any such person by contract or due to such person’s significant promotion or modification in duties). For more information about Mr. Tippl’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Pursuant to the Tippl Employment Agreement, Mr. Tippl is also eligible for an annual bonus under the CAIP with a target amount of 150% of his base salary, the actual amount of which is determined at the Company’s sole discretion based on his overall performance and the Company’s performance. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. Mr. Tippl is also entitled to participate in all benefit plans generally available to our executive officers and we are required to maintain a \$9,375,000 supplemental term life insurance policy for the benefit of his estate throughout the term of his employment.

As an inducement to enter into the initial employment agreement, in 2005 Mr. Tippl was (1) paid a signing bonus of \$100,000 and (2) granted an option to purchase 1,600,000 shares of our Common Stock, (A) one-third of which vested in five annual installments beginning on October 3, 2006, (B) (i) one-ninth of which vested on May 15, 2007, following the Compensation Committee’s determination that the operating income objective for the Company set forth in our fiscal 2006 AOP had been met or exceeded, (ii) one-ninth of which vested on May 15, 2008, following the Compensation Committee’s determination that the operating income objective for the Company set forth in our

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fiscal 2007 AOP had been met or exceeded, and (iii) one-ninth of which vested on May 11, 2009, following the Compensation Committee's determination that the operating income objective for the Company set forth in our fiscal 2008 AOP had been met or exceeded, and (C) one-third of which vested on October 3, 2010. In addition, in consideration for abandoning certain long-term compensation, pension benefits and related equity participations with his prior employer when he joined the Company, Mr. Tippl was granted 193,424 restricted shares of our Common Stock, which vested in three equal installments on each of October 3, 2008, 2009 and 2010.

As an inducement to enter into the February 2009 amendment to the Tippl Employment Agreement pursuant to which he was promoted from Chief Financial Officer to Chief Corporate Officer and Chief Financial Officer and the term of his employment was extended through April 2014, in 2009 Mr. Tippl was granted (1) an option to purchase 1,200,000 shares of our Common Stock, which vested in five equal installments on each of February 15, 2010, 2011, 2012, 2013 and 2014, (2) 150,000 restricted shares, which vested in five equal installments on each of February 15, 2010, 2011, 2012, 2013 and 2014, and (3) 80,000 restricted shares of our Common Stock, which vested on February 15, 2010 (as our non-GAAP diluted earnings per share for 2009 exceeded the stated target of \$0.68).

As an inducement to enter into the March 2010 amendment to the Tippl Employment Agreement pursuant to which he was promoted to Chief Operating Officer and continued to serve as our Chief Financial Officer until a replacement was hired (thereby simultaneously filling two leadership roles during a time of significant organizational transition), in 2010 Mr. Tippl was granted (1) an option to purchase 525,000 shares, which vested in four equal installments on each of February 15, 2011, 2012, 2013 and 2014, (2) 350,000 restricted share units, each representing the right to receive one share of our Common Stock, which vested in four equal installments on each of February 15, 2011, 2012, 2013 and 2014, and (3) 225,000 restricted shares of our Common Stock, one-fourth of which vested on each of February 15, 2011, 2012, 2013 and 2014, in each case following the Compensation Committee's determination that the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year had been met or exceeded.

As an inducement to enter into the December 2013 amendment to the Tippl Employment Agreement, which was executed on January 15, 2014 and pursuant to which, among other things, the term of his employment was extended through April 2016 (or, if we so elect, through April 2017), in February 2014, Mr. Tippl was granted 309,917 time-based restricted share units, the number of which was based on a total grant date value of approximately \$6,000,000, which vested or will vest, as the case may be, in three equal installments on each of March 31, 2015, 2016, and 2017. As further inducement to enter into that amendment, Mr. Tippl received a grant of 1,022,728 performance-based restricted share units, the number of which assumes maximum performance and was based on a value on the date of grant (*i.e.*, February 10, 2014) approximately equal to \$19,800,000; target performance would result in the vesting of 681,817 restricted share units. With respect to approximately 45% of these performance-based restricted share units (*i.e.*, a maximum of 464,876 restricted share units), performance is measured by reference to the non-GAAP diluted earnings per share objective for the Company set forth in our AOP for the prior year. With respect to approximately 27% of these performance-based restricted share units (*i.e.*, a maximum of 278,926 restricted share units), performance is measured by reference to the non-GAAP adjusted free cash flow objective for the Company set forth in our AOP for the prior year. With respect to the remaining performance-based restricted share units (*i.e.*, a maximum of 278,926 restricted share units), performance is measured with respect to the adjusted operating income objective for Blizzard Entertainment set forth in our AOP for the prior year. In each case: (1) if actual performance is below 75% of target, no shares subject to the performance criteria will be earned; and (2) if actual performance is 75% or more of our operating performance objective for the year, then the number of shares that will be earned will be

equal to the target number of shares for the grant year multiplied by the ratio of the actual operating performance to the AOP operating performance objective for the prior year, up to a maximum of 150%. On March 31, 2015, 290,396 of these restricted share units vested following the Compensation Committee's determination with respect to the Company's 2014 performance; up to one-third of these restricted share units will vest on each of March 31, 2016 and 2017, in each case only following the Compensation Committee determination with respect to the level of achievement of the relevant performance measures.

In addition, in January 2014, Mr. Tippl received full payment of the remaining \$2,000,000 portion of the discretionary bonus previously awarded to him by the Compensation Committee on March 6, 2013 (one-half of which would otherwise have been paid in each of June 2014 and June 2015).

Pursuant to the Tippl Employment Agreement, until the second anniversary of the termination of his employment, Mr. Tippl is restricted from soliciting the employment of anyone who was employed by us or our affiliates during the term of his employment and from inducing any of our business partners to alter its relationship with us. Mr. Tippl is also generally not permitted to seek or negotiate for other employment before the final six months of the term of his employment under the Tippl Employment Agreement. In addition, Mr. Tippl is prohibited from competing with us during the term of his employment under the Tippl Employment Agreement.

### **Bonus Agreement**

In recognition of his significant contributions to the Company during 2011, including service as both our Chief Operating Officer and interim Chief Financial Officer throughout the year and his critical role in enabling the Company to exceed its financial goals for the year, we awarded Mr. Tippl a one-time bonus of \$3 million, which was paid on March 15, 2012.

Pursuant to the agreement, dated as of March 12, 2012, between Mr. Tippl and us, half of that bonus (*i.e.*, \$1.5 million) was deemed earned as of the date paid and the remaining \$1.5 million was deemed earned as of March 14, 2015. If Mr. Tippl's employment had been terminated prior to March 14, 2015 by the Company for cause or by him without good reason, in each case within the meaning of the Tippl Employment Agreement (see "—Potential Payments upon Termination or Change of Control" below), he would have had to repay to us 50% of the net bonus paid to him on March 15, 2012 (*i.e.*, half of the amount paid to him after all applicable taxes and withholdings), within 120 days of the termination of his employment.

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## **Michael Morhaime**

Michael Morhaime is party to an employment agreement with us, dated as of December 1, 2007 and amended as of December 15, 2008, March 31, 2009, November 4, 2009 and October 16, 2010 (*i.e.*, the Morhaime Employment Agreement), pursuant to which he serves as the President and Chief Executive Officer of Blizzard Entertainment. Mr. Morhaime's term of employment under the Morhaime Employment Agreement began on July 9, 2008 and continues through December 31, 2016.

Pursuant to the Morhaime Employment Agreement, Mr. Morhaime's annual base salary was \$763,900 as of August 31, 2010 and was and will be reviewed annually. It may be increased at our discretion and any higher base salary paid to Mr. Morhaime will then be deemed to be the annual rate for purposes of the Morhaime Employment Agreement. For more information about Mr. Morhaime's base salary, see "[—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary](#)" above.

Mr. Morhaime is also eligible for an annual bonus under the CAIP with a target amount of 27% of his base salary, 10% of which is based on the Company's financial performance and 90% of which is based on his performance and Blizzard Entertainment's financial performance. The actual amount of any such bonus paid to him is determined at the Company's discretion. For more information about performance-based bonuses, see "[—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan \(\*i.e.\*, the CAIP\) and Other Performance-Based Bonuses](#)" above.

Mr. Morhaime is also eligible for additional annual performance-based cash compensation based upon Blizzard Entertainment's earnings under the Morhaime Profit Sharing Plan. Specifically, Mr. Morhaime is entitled to an amount equal to up to 6% of the profit sharing pool created pursuant to the Blizzard Profit Sharing Plan. (The Compensation Committee may exercise negative discretion with respect to his actual annual percentage interest in the pool, subject to a specified minimum percentage.) Prior to October 2010, Mr. Morhaime was entitled to an amount equal to up to 5% of that pool. For more information about the Morhaime Profit Sharing Plan, see "[—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan \(\*i.e.\*, the CAIP\) and Other Performance-Based Bonuses—Morhaime Profit Sharing Plan](#)" above.

Mr. Morhaime is also eligible for an annual bonus under the Blizzard Bonus Plan. The target amount of such bonus is 37% of his base salary, but is otherwise at our Chief Executive Officer's discretion. For more information about the Blizzard Bonus Plan, see "[—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Other Cash Bonus Programs or Awards for 2014](#)" above.

Mr. Morhaime is also entitled to participate in all benefit plans generally available to Blizzard Entertainment's senior executive officers (provided that in any case his benefits are in the aggregate at least as favorable to him as those provided to him by Blizzard Entertainment as of October 15, 2007). Mr. Morhaime was entitled to reimbursement of

any legal fees he incurred in connection with the negotiation of the Morhaime Employment Agreement.

As an inducement to enter into the initial employment agreement, upon the consummation of the Vivendi Games Combination, Mr. Morhaime was granted an option to purchase 600,000 shares of our Common Stock, which vested in 60 equal installments on the 9<sup>th</sup> day of each month in the five years following the date of grant, commencing with August 9, 2008.

As an inducement to enter into the October 2010 amendment to the Morhaime Employment Agreement, pursuant to which, among other things, the term of his employment was extended through December 2016, in 2010 Mr. Morhaime was granted (1) an option to purchase 300,000 shares of our Common Stock, one-sixth of which vested or will vest, as the case may be, on each of December 31, 2011, 2012, 2013, 2014, 2015 and 2016, and (2) 400,000 restricted share units, one-sixth of which vested or will vest, as the case may be, on each of December 31, 2011, 2012, 2013, 2014, 2015 and 2016. In addition, the Morhaime Employment Agreement provides that we will recommend to the Compensation Committee that Mr. Morhaime be granted an option to purchase 200,000 shares of our Common Stock and 70,000 restricted share units once per year during the term of the agreement to the extent awards are being made to our other senior executives during that year. Accordingly, the Compensation Committee, upon our recommendation, granted Mr. Morhaime: (1) in 2010, an option to purchase 200,000 shares of our Common Stock and 70,000 restricted share units, one-third of both of which vested on each of November 7, 2011, 2012 and 2013; (2) in 2011, an option to purchase 200,000 shares of our Common Stock and 70,000 restricted share units, one-third of both of which vested on each of November 9, 2012, 2013 and 2014; (3) in 2012, an option to purchase 200,000 shares of our Common Stock and 70,000 restricted share units, one-third of both of which vested or will vest, as the case may be, on each of November 8, 2013, 2014 and 2015; (4) in 2013, an option to purchase 200,000 shares of our Common Stock and 70,000 restricted share units, one-third of both of which vested or will vest, as the case may be, on each of November 14, 2014, 2015 and 2016; and (5) in 2014, an option to purchase 200,000 shares of our Common Stock and 70,000 restricted share units, one-third of both of which will vest on each of November 13, 2015, 2016 and 2017.

Pursuant to the Morhaime Employment Agreement, while he is our employee and during any period following the termination of his employment in which he is receiving severance from us (as well as for any period corresponding to any lump-sum severance payment he receives from us), Mr. Morhaime is restricted from soliciting the employment of anyone then-employed by us or Blizzard Entertainment and from inducing any of our business partners or Blizzard Entertainment's business partners to terminate its relationship with us or them. In addition, Mr. Morhaime is prohibited from competing with us while he is our employee. Further, during any period in which he is receiving severance from us (as well as for any period corresponding to any lump-sum severance payment he receives from us), he must make himself reasonably available to us to provide any information or other assistance we may reasonably request with respect to matters relating to Blizzard Entertainment's business about which he has knowledge as a result of his employment. For information about the severance Mr. Morhaime may receive, see "—Potential Payments upon Termination or Change of Control" below.



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## **Humam Sakhnini**

Humam Sakhnini is party to an employment agreement with us, dated as of January 9, 2012, and amended as of October 30, 2014 (the “Sakhnini Employment Agreement”), pursuant to which he serves as our Chief Strategy and Talent Officer. Mr. Sakhnini’s term of employment under the Sakhnini Employment Agreement began on February 1, 2012 and continues through March 31, 2017 (subject to our right to extend for an additional year). Prior to being promoted on February 1, 2012, Mr. Sakhnini served as our Executive Vice President of Corporate Strategy and Business Development.

Pursuant to the Sakhnini Employment Agreement, Mr. Sakhnini’s annual base salary was \$700,000 as of March 1, 2015, and beginning in 2016, will be reviewed periodically. For more information about Mr. Sakhnini’s base salary, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Salary” above.

Mr. Sakhnini is also eligible for an annual bonus under the CAIP with a target amount of 75% of his base salary, the actual amount of which is determined at the Company’s sole discretion based on his overall performance and the Company’s performance. For more information about performance-based bonuses, see “—Compensation Discussion and Analysis—Elements of Our Executive Compensation Program for 2014—Corporate Annual Incentive Plan (*i.e.*, the CAIP) and Other Performance-Based Bonuses” above. Mr. Sakhnini is also entitled to participate in all benefit plans generally available to our executive officers and we are required to maintain a \$2 million supplemental term life insurance policy for the benefit of his estate throughout the term of his employment.

As an inducement to enter into the initial employment agreement, Mr. Sakhnini was granted (1) an option to purchase 75,000 shares of our Common Stock, which vested in three equal installments on each of March 30, 2013, 2014 and 2015, (2) 75,000 restricted share units, which vested in three equal installments on each of March 30, 2013, 2014 and 2015, and (3) 75,000 performance-based restricted share units, one-third of which vested on each of March 30, 2013, 2014 and 2015, in each case following the Compensation Committee’s determination that the non-GAAP operating income objective for the Company set forth in the prior year’s AOP had been met or exceeded.

As an inducement to enter into the October 2014 amendment to the Sakhnini Employment Agreement, pursuant to which, among other things, the term of his employment was extended through March 2017 (or, if we so elect, through March 2018), in November 2014, Mr. Sakhnini was granted 215,210 non-qualified stock options to purchase shares of our Common Stock, the number of which was based on a total grant value of approximately \$1,300,000, two-thirds of which will vest on March 30, 2017, and one-third of which will vest on March 30, 2018. As further inducement to enter into that amendment, Mr. Sakhnini was granted 121,269 performance-based restricted share units, the number of which assumes maximum performance and was based on a value on the date of grant (*i.e.*, November 14, 2014) approximately equal to \$2,437,500; target performance would result in the vesting of 97,015 restricted share units. Up to two-thirds of these performance-based restricted share units will vest on March 30, 2017 (one-half of which based on 2015 performance and the other half of which based on 2016 performance), and up to the remaining one-third of which will vest on March 30, 2018 (based on 2017 performance), in each case only if the Compensation Committee determines that the operating income objective of the Company, as set forth in our AOP for the respective year, has

been met. In each case: (1) if actual performance is below 85% of target, no shares subject to the performance criteria will be earned; (2) if actual performance is 85% or more of our operating income objective for the year, then the number of shares that will be earned will be equal to the target number of shares for the grant year multiplied by the ratio of the actual operating income to the AOP operating income objective for the prior year, up to a maximum of 125%.

Pursuant to the Sakhnini Employment Agreement, until the second anniversary of the expiration of the term of his employment, Mr. Sakhnini is restricted from soliciting the employment of anyone then employed by us or our subsidiaries (or anyone who was employed by us or them during his final 90 days of employment). Mr. Sakhnini is also restricted from inducing any of our business partners to alter its relationship with us while he is our employee. Mr. Sakhnini is also generally not permitted to negotiate for other employment before the final six months of the term of his employment under the Sakhnini Employment Agreement. In addition, Mr. Sakhnini is prohibited from competing with us during the term of his employment under the Sakhnini Employment Agreement.

[Back to Contents](#)**Potential Payments upon Termination or Change of Control**

The table below outlines the potential payments to our named executive officers upon the occurrence of certain termination events or a change of control. The calculations assume that each of these events occurred on December 31, 2014.

Name and Type of Payment/Benefit	Death <sup>(1)(2)</sup> (\$)	Disability <sup>(1)(2)</sup> (\$)	Termination by Activision Blizzard For Cause or Performance Termination <sup>(1)(3)</sup> (\$)	Termination by Activision Blizzard Without Cause or Termination by Employee for Good Reason <sup>(1)(4)</sup> (\$)	Change of Control Without Termination <sup>(5)</sup> (\$)	TOTAL
<b>Robert A. Kotick</b>						
Bonus severance	4,599,190	4,599,190	—	4,595,173	—	4,599,190
Severance payment	—	2,188,200	—	13,119,702	—	13,119,702
Benefits continuation <sup>(6)</sup>	30,362	330,614	314,293	330,614	—	330,614
Value of accelerated equity awards <sup>(7)</sup>	41,287,975	41,287,975	0	41,287,975	20,764,575	41,287,975
Excise tax indemnification	—	—	—	—	0	—
Change of control payment	—	—	—	—	30,000,000	30,000,000
<b>TOTAL</b>	<b>45,917,527</b>	<b>48,405,979</b>	<b>314,293</b>	<b>59,333,464</b>	<b>50,764,575</b>	<b>45,917,527</b>
<b>Dennis Durkin</b>						
Bonus severance	597,248	597,248	—	597,248	—	597,248
Lump-sum payment	1,433,250	—	—	—	—	1,433,250
Salary continuation	—	1,576,575	—	1,576,575	—	1,576,575
Benefits continuation <sup>(6)</sup>	8,160	12,470	—	12,470	—	8,160
<b>TOTAL</b>	<b>2,038,658</b>	<b>2,186,293</b>	<b>0</b>	<b>2,186,293</b>	<b>0</b>	<b>2,038,658</b>
<b>Thomas Tippl</b>						
Bonus severance	1,970,862	1,970,862	—	1,970,862	—	1,970,862
Lump-sum payment	3,003,775	3,003,775	—	—	—	3,003,775
Salary continuation	—	—	—	1,660,959	—	1,660,959
Benefits continuation <sup>(6)</sup>	15,810	24,927	—	—	—	15,810
<b>TOTAL</b>	<b>4,990,447</b>	<b>4,999,564</b>	<b>0</b>	<b>3,631,821</b>	<b>0</b>	<b>4,990,447</b>
<b>Michael Morhaime</b>						
Bonus severance	4,371,189	4,371,189	—	4,371,189	—	4,371,189
Lump-sum payment	—	—	—	8,166,794	—	8,166,794
<b>TOTAL</b>	<b>4,371,189</b>	<b>4,371,189</b>	<b>0</b>	<b>12,537,983</b>	<b>0</b>	<b>4,371,189</b>
<b>Humam Sakhnini</b>						
Bonus severance	431,805	431,805	—	431,805	—	431,805
Lump-sum payment	1,323,000	—	—	—	—	1,323,000
Salary continuation	—	1,484,297	—	1,484,297	—	1,484,297
<b>TOTAL</b>	<b>1,754,805</b>	<b>1,916,102</b>	<b>0</b>	<b>1,916,102</b>	<b>0</b>	<b>1,754,805</b>

Footnotes for this table can be found on the pages immediately following (pages 55-61).

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**(1) Bonus Payments upon Termination**

In the event of a termination of employment by us without cause or by the employee for good reason, or in the event of a termination of employment due to death or disability, (or in the event of a termination of Mr. Kotick's employment for any of the aforementioned reasons during the 12-month period following a change of control), on December 31, 2014, each of our named executive officers would have received any earned but unpaid bonuses for prior years (of which there were none as of December 31, 2014), as well as a pro rata bonus for the year in which the termination occurred as follows:

(a) Mr.  
Kotick  
would  
have  
received:

in the event of his termination due to death or disability or in the event of the termination of his employment by us without cause or by him for good reason during the 12-month period following a change of control, and subject to his execution of an effective and irrevocable release (other than in the event of a termination of his employment due to death), a lump-sum payment equal to the annual bonus earned for the year immediately preceding the year in which the termination occurred, multiplied by a fraction, the numerator of which is the number of days worked during the year in which the termination occurred and the denominator of which is 365; or

in the event of the termination of his employment by us without cause or by him for good reason other than such a termination during the 12-month period following a change of control and subject to his execution of an effective and irrevocable release, a lump-sum payment equal to the annual bonus earned for the year in which the termination occurred, multiplied by a fraction, the numerator of which is the number of days worked during the year in which the termination occurred and the denominator of which is 365.

(b) Messrs.  
Tippl,  
Durkin and  
Sakhnini  
would have  
each  
received, to  
the extent  
the bonus  
was earned  
and, other  
than in the  
event of a  
termination  
of his  
employment

due to death,  
subject to his  
execution of  
an effective  
and  
irrevocable  
release:

a lump-sum payment equal to the annual bonus for the year in which the termination occurred (where all goals would have been measured by actual performance), multiplied by a fraction, the numerator of which is the number corresponding to the month in which the termination occurred and the denominator of which is 12.

(c) Mr.  
Morhaime  
would  
have  
received,  
to the  
extent the  
bonus was  
earned:

a lump-sum payment equal to any amounts he would have received under the CAIP, Morhaime Profit Sharing Plan and Blizzard Bonus Plan for the year in which the termination occurred (where all goals would have been measured by actual performance), multiplied by a fraction, the numerator of which is the number of days prior to and including his termination date in the year in which the termination occurred and the denominator of which is 365.

None of our named executive officers is entitled to a bonus with respect to the year of termination of his employment in connection with a termination for cause. Mr. Kotick would have received any earned but unpaid bonus for prior years in the event of a termination of his employment for cause.

## **(2) Termination of Employment due to Death or Disability**

In the event of a termination of employment due to death or disability on December 31, 2014, each of our named executive officers or his estate would have received, in addition to any amounts to which he was entitled under applicable law, such as earned but unpaid salary, accrued but unpaid vacation, unreimbursed business expenses and any amounts then due under our benefit plans, programs or policies (collectively, “basic severance”) (which for purposes of this table, are assumed to have been paid or reimbursed in full as of December 31, 2014), the following:

(a) Mr.  
Kotick

would  
have  
received:

in the event of his termination due to disability, subject to his execution of an effective and irrevocable release, an amount equal to 100% of his annual base salary in effect on his termination date, which amount would have been paid to him in equal installments over the 12-month period following his termination date;

in the event of his termination due to death or disability, continuation of health/medical insurance benefits for him and his then-current spouse and minor children, as applicable, for a period of two years following his termination date; and

in the event of his termination due to disability, continuation of his supplemental life insurance benefits through March 15, 2022.

(b) Mr.  
Durkin  
would  
have  
received:

in the event of his termination due to death, a lump-sum payment equal to 200% of his annual base salary in effect on his termination date, less any payments received or to which he became entitled under company-provided life insurance, if any (which payments, for purposes of this table, are assumed to be zero);

in the event of his termination due to disability, subject to his or his legal representative's execution of an effective and irrevocable release, salary continuation through the expiration date of his employment agreement in an amount equal to 100% of the base salary (at the rate in effect on his termination date) that would have been payable to him through that date, less any payments received or to which he became entitled under company-provided long-term disability insurance, if any (which payments, for purposes of this table, are assumed to be zero); and

in the event of his termination due to death or disability, subject to his or his legal representative's execution of an effective and irrevocable release, continuation of health/medical insurance benefits for him and his then-current spouse and minor children, as applicable, for a period of one year following his termination date, provided that he does not become eligible for another company's group health/medical insurance or coverage program, in which case he would cease to be eligible for continuation of health/medical insurance benefits.

(c) Mr. Tipl  
would have  
received,  
subject to his  
or his legal  
representative's  
execution of an  
effective and  
irrevocable  
release:

- a lump-sum payment equal to 300% of the base salary paid or payable to him for the most recent year immediately prior to termination; and
- continuation of health/medical insurance benefits for him and his then-current spouse and minor children, as applicable, for a period of two years following his termination date.

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(d) Mr.  
Sakhnini  
would  
have  
received:

in the event of his termination due to death, a lump-sum payment equal to 200% of his annual base salary in effect on his termination date, less any payments received or to which he became entitled under company-provided life insurance, if any (which payments, for purposes of this table, are assumed to be zero), other than his company-provided \$2,000,000 term life policy; and

in the event of his termination due to disability, subject to his or his legal representative's execution of an effective and irrevocable release, salary continuation through the expiration date of his employment agreement in an amount equal to 100% of the base salary (at the rate in effect on his termination date) that would have been payable to him through that date, less any payments received or to which he became entitled under company-provided long-term disability insurance, if any (which payments, for purposes of this table, are assumed to be zero).

With the exception of a payment in respect of a bonus, discussed in footnote (1), Mr. Morhaime would not have received anything other than basic severance in connection with his termination due to death or disability.

Except as otherwise indicated, the amounts reflected in the table are in addition to any proceeds from company-provided insurance the executive or his estate would have received upon death or disability, as the case may be.

Any payment in respect of a bonus which any of our named executive officers would have received in connection with a termination of employment due to death or disability is discussed in footnote (1). The effects of a termination of employment due to death or disability on outstanding equity awards are discussed in footnote (7).

**(3) Termination for Cause**

The employment of each of our named executive officers may be terminated for "cause" if any of the following occur:

- For Mr. Kotick: subject to his right to cure, a determination by our Board that he (1) engaged in an act of fraud or embezzlement in respect of us or our funds, properties or assets, (2) was convicted of a felony relating to his actions as our executive under the laws of the United States or any state thereof (provided that all rights of appeal have been exercised or have lapsed), unless such acts were committed in the reasonable, good faith belief that his actions were in our best interests and the best interests of our stockholders and would not violate criminal law, (3) engaged in willful misconduct or gross negligence in connection with the performance of his duties that has caused or is highly

likely to cause us severe harm, or (4) was intentionally dishonest in the performance of his duties under his employment agreement and such dishonesty had a material adverse effect on us;

For Mr. Durkin: our good-faith determination that he (1) engaged in willful, reckless or gross misconduct that caused, or is reasonably likely to cause, harm to us or our subsidiaries, (2) subject to his right to cure, was grossly negligent in the performance of his duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his employment, (3) engaged in fraud or dishonesty that caused, or is likely to cause, severe harm to us or our subsidiaries, including our business or reputation, (4) subject to his right to cure, violated any of our lawful and reasonable directives or policies or any applicable laws, rules or regulations in connection with the performance of his duties that caused, or is reasonably likely to cause, harm to us or our subsidiaries, (5) subject to his right to cure, materially breached his employment agreement, (6) subject to his right to cure, materially breached any proprietary information or confidentiality agreement with us or our subsidiaries, (7) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude, or (8) subject to his right to cure, breached his fiduciary duties to us or our subsidiaries;

For Mr. Tippl: that he (1) engaged in willful, reckless or gross misconduct, (2) subject to his right to cure, materially breached his employment agreement, (3) was convicted of, or pled no contest to, a felony or crime involving dishonesty or moral turpitude, (4) breached his duty of loyalty to us, or (5) violated our corporate governance policies.

For Mr. Morhaime: that he (1) subject to his right to cure, failed to perform his primary duties or breached his employment agreement, in either case resulting in material and demonstrable damage to us or our affiliates, (2) subject to his right to cure, intentionally and materially failed to comply with our material policies of which he had been provided written notice and the terms of which are equally and uniformly applied to all of our executive employees, or (3) was convicted of a felony or other crime involving dishonesty or fraud or that results or would reasonably be expected to result in our becoming subject to public reprimand or sanction; and

For Mr. Sakhini: our good-faith determination that he (1) subject to his right to cure, engaged in misconduct or gross negligence in the performance of his duties or willfully and continuously failed or refused to perform any duties reasonably requested in the course of his employment, (2) subject to his right to cure, engaged in fraud, dishonesty, or any other conduct that causes or has the potential to cause, harm to us or our subsidiaries, including our business or reputation, (3) subject to his right to cure, violated any of our lawful directives or policies or any applicable laws, rules or regulations, (4) subject to his right to cure, materially breached his employment agreement, (5) subject to his right to cure, materially breached any proprietary information or confidentiality agreement with us or our subsidiaries, (6) was convicted of, or pled guilty or no contest to, a felony or crime involving dishonesty or moral turpitude, or (7) subject to his right to cure, breached his fiduciary duties to us or our subsidiaries.

Each of our named executive officers would have received basic severance in connection with a termination for cause on December 31, 2014 and none of them would have received any salary-related severance or bonus with respect to the year of termination in connection with a termination for cause.

In addition, in the event of a termination of employment by us for cause, Mr. Kotick would have received:

- any earned but unpaid bonuses for prior years; and
- continuation of his supplemental life insurance benefits through March 15, 2022.

In the event of termination by us for cause or by him without good reason before March 13, 2015, Mr. Tippel would have had to pay the Company 50% of the net bonus paid to him pursuant to the bonus

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agreement dated March 12, 2015 (see “—Employment Agreements—Thomas Tipl—Bonus Agreement”) (*i.e.*, half of the amount paid to him (*i.e.*, \$1.5 million) less all applicable taxes and withholdings).

The effects of a termination of employment in connection with a performance termination or a termination for cause on outstanding equity awards are discussed in footnote (7).

**(4) Termination Without Cause or for Good Reason**

As described below, each named executive officer may terminate his employment for “good reason” upon the occurrence of any of the following without his consent:

For Mr. Kotick: (1) a reduction in his base salary, (2) a material reduction in certain benefits to which he is contractually entitled, (3) the assignment to him of any duties inconsistent with his position, duties, responsibilities, authority or status with us or a change in his reporting responsibilities, titles or offices as in effect prior to such assignment or change, (4) his failure to be nominated for election, or failure to be re-elected, as a member of our Board, (5) our material breach or failure to perform, when due, any of our obligations under his employment agreement, (6) any purported termination of his employment in contravention of his employment agreement or in violation of our Bylaws, or (7) a good faith determination by him that he is not able to discharge his duties effectively by reason of directives from our Board requiring him to perform duties not directly related to our operations;

For Mr. Durkin, subject to our right to cure: (1) a relocation of his principal place of business to a location more than 50 miles from our current headquarters that materially and adversely affects his commute or (2) his being assigned to serve in a position that results in a material diminution of his responsibilities, duties or title;

For Mr. Tipl, subject to our right to cure: our relocation to a location more than 25 miles from Los Angeles County which is materially adverse to him;

For Mr. Morhaime, subject to our right to cure: (1) a reduction in his base salary or any contractually guaranteed minimum bonuses or bonus opportunities, (2) a material reduction in certain benefits to which he is contractually entitled, (3) any change to the CAIP, the Blizzard Bonus Plan or the Morhaime Profit Sharing Plan that materially reduces his opportunity to earn compensation under those plans, when taken as a whole, (4) any change to the Blizzard Profit Sharing Plan that materially reduces the aggregate compensation opportunities available to Blizzard Entertainment’s employees under that plan, (5) a material default by us in paying or providing him with any compensation or benefits required or any material obligations owed to him under his employment agreement, (6) our termination without cause of any member of Blizzard Entertainment’s management team, (7) a change in location of his primary place of employment to a location more than 15 miles from Blizzard Entertainment’s existing office in Irvine, California, (8) a change in title that conveys lesser responsibility or lower status, or the imposition of any restriction or constraint upon him or the undertaking of any other act which materially diminishes his position, office, responsibility, duties or authority, (9) a change in his reporting structure and responsibilities as set forth in his employment agreement, (10) a change of control of Blizzard Entertainment, or (11) subject to certain exceptions and limitations on his authority, our engaging in conduct with respect to the operations or activities of Blizzard

Entertainment which, taken individually or as a whole, prevent or materially interfere with him having authority, ability, accountability and control over the conduct of Blizzard Entertainment's strategic, operational and daily business activities, or otherwise prevent him from effectively acting as Blizzard Entertainment's chief executive officer; and

- For Mr. Sakhnini, subject to our right to cure: a relocation of his principal place of business to a location more than 50 miles from our current headquarters that materially and adversely affects his commute.

Upon a termination of the employment of one of our named executive officers by us without "cause" or by one of our named executive officers for good reason on December 31, 2014 (including the termination of Mr. Kotick by us without cause or by Mr. Kotick for good reason during the 12-month period following a change of control), that named executive officer would have received, in addition to any basic severance, the following:

(a) Mr.  
Kotick:

- subject to his execution of an effective and irrevocable release, an amount equal to 200% of the sum of his base salary in effect on his termination date and the target annual bonus for the year in which the termination occurred (unless such termination is during the 12-month period following a change of control, in which case the amount would have been equal to 300% of that sum), which amount would have been paid to him in equal installments over the 12-month period following his termination date;

- continuation of health/medical insurance benefits for him and his then-current spouse and minor children for a period of two years following his termination date; and

- continuation of his supplemental life insurance benefits through March 15, 2022.

(b) Mr.  
Durkin:

- subject to his execution of an effective and irrevocable release, salary continuation through the expiration date of his employment agreement in an amount equal to 100% of the base salary (at the rate in effect on his termination date) that would have been payable to him through that date; and

- subject to his execution of an effective and irrevocable release, continuation of health/medical insurance benefits for him and his then-current spouse and minor children for a period of one year following his termination date, provided that he does not become eligible for another company's group health/medical insurance or coverage program, in which case he would cease to be eligible for continuation of health/medical insurance benefits.

(c)  
Mr.  
Tippl:

subject to his execution of an effective and irrevocable release, salary continuation through the expiration date of his employment agreement in an amount equal to 100% of the base salary that would have been payable to him through that date (taking into account the automatic increases in base salary under his employment agreement, which increases are not reflected in this table because the amount thereof cannot be determined, as they are based upon increases approved for other members of the executive leadership team for the year in question); (Mr. Tippl would also receive these

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amounts if his employment is terminated as a result of his loss of immigration status and legal ability to work for us in the United States, unless such loss results from his action or inaction.)

(d) Mr.  
Morhaime:

a lump-sum payment equal to the sum of:

100% of the base salary (at the rate in effect on his termination date) that would have been payable to him through the expiration date of his employment agreement;

the sum of the following components for each year remaining through the expiration date of his employment agreement (*i.e.*, two years as of December 31, 2014):

an amount equal to the actual annual bonus paid under each of the CAIP and Blizzard Bonus Plan for the year immediately preceding the year of termination; and

the value of his health/medical insurance, life insurance and disability insurance benefits based upon his coverage as of December 31, 2014;

200% of the actual annual bonus compensation paid to Mr. Morhaime under the Morhaime Profit Sharing Plan for the year immediately prior to termination; and

-\$1,500,000.

(e) Mr.  
Sakhnini:

- subject to his execution of an effective and irrevocable release, salary continuation through the expiration date of his employment agreement in an amount equal to 100% of the base salary (at the rate in effect on his termination date) that would have been payable to him through that date.

Any payment in respect of a bonus which any of our named executive officers would have received in connection with a termination of employment by us without cause or by that named executive officer for good reason is discussed in footnote (1). The effects of a termination of the employment of one of our named executive officers by us without cause or by that named executive officer for good reason on outstanding equity awards are discussed in footnote (7).

Pursuant to the terms of Messrs. Durkin's and Sakhnini's employment agreements, all benefits to which each is otherwise entitled upon a termination of employment by us without cause or by him for good reason, with the

exception of the basic severance, would cease if he breaches the post-termination non-solicitation provisions of his employment agreement. Please see, respectively, “—Employment Agreements—Dennis Durkin” and “—Employment Agreements—Humam Sakhnini” above for a description of those obligations.

In addition, if Mr. Durkin or Mr. Sakhnini obtains any subsequent employment, any severance payable to him in the form of salary continuation would be offset by the amount of his salary from his then-current employer (which payments, for the purposes of this table, are assumed to be zero).

## (5) Change of Control

For Mr. Kotick, in the event of a change of control:

(a) As noted in footnotes (1) and (4), upon a subsequent termination of employment by us without cause or by Mr. Kotick for good reason during the 12-month period following the effective date of that change of control, he would have received, in addition to any basic severance, the following:

- subject to his execution of an effective and irrevocable release, a lump-sum payment equal to the annual bonus earned for the year immediately preceding the year in which the termination occurred, multiplied by a fraction, the numerator of which is the number of days worked during the year in which the termination occurred and the denominator of which is 365;

- subject to his execution of an effective and irrevocable release, an amount equal to 300% of the sum of his base salary in effect on his termination date and the target annual bonus for the year in which the termination occurred, which amount would have been paid to him in equal installments over the 12-month period following his termination date;

- continuation of health/medical insurance benefits for him and his then-current spouse and minor children, as applicable, for a period of two years following his termination date; and

- continuation of his supplemental life insurance benefits through March 15, 2022.

(b) If there is a change of control during the term of Mr. Kotick’s employment or Mr. Kotick is terminated without cause and a change in control is consummated during the six months after his termination, Mr. Kotick will be entitled to a cash bonus payable upon such change of control in an amount of at least \$30,000,000, which may be increased up to \$45,000,000 at the good faith discretion of the Compensation Committee. For purposes of this table, the payment has been assumed to be \$30,000,000.



(c) The amounts shown represent the value of any restricted shares, restricted share units or performance shares which vest or as to which the restrictions would have lapsed, as the case may be, upon Mr. Kotick's termination, measured as the NASDAQ Official Closing Price of \$20.15 per share of our Common Stock on December 31, 2014.

(d) If there had been a change of control on December 31, 2014 (whether or not he was subsequently terminated):

- the stock options granted to him on or prior to June 15, 2007 would have remained exercisable until their original expiration date; and

- the target number of performance shares granted to him thereunder on March 15, 2012 for each performance period or periods (which, for each period, is 25% of the total number of performance shares granted to him) in which the change of control occurred would have vested, and the remaining performance shares would have been cancelled.

In addition, if the NASDAQ Official Closing Price of our Common Stock on the date of the change of control was greater than the exercise price of any of his vested stock options, Mr. Kotick would have had the right to forfeit the stock options in exchange for a cash payment equal in value to the number of shares of our Common Stock underlying those stock options multiplied by the amount that the NASDAQ Official Closing Price exceeded the exercise price of the stock options. For purposes of this table, no value is attributed to this provision of his employment agreement, as Mr. Kotick could have obtained the same value by exercising those stock options and selling the shares purchased upon exercise in the open market.

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If, following a change of change of control, he had been terminated due to his death, as discussed in footnote (7):

all the stock options granted to him on December 5, 2007 would have remained exercisable until their original expiration date.

Further, in the event of his termination due to death or disability or in the event of the termination of his employment by us without cause or by him for good reason during the 12-month period following a change of control:

those restricted share units granted to him thereunder on March 15, 2012 that would have vested had he remained employed for the 36 months following his termination date (and had such termination not been during the 12-month period following a change of control, the number of restricted share units that would have vested would be those that would have vested had he remained employed for the 24 months following his termination date, rather than the 36 months).

Other than as described in this footnote (5), Mr. Kotick's termination following a change of control, whether or not in the 12-month period thereafter, would have no impact on his outstanding equity awards.

(e) Pursuant to his employment agreement, Mr. Kotick is entitled to be indemnified for any excise taxes for which he is responsible in respect of payments by us to him as a result of a change of control. Assuming that a change of control occurred on December 31, 2014, any payment owed to him under the employment agreement as a result of that change of control would not have exceeded the necessary safe harbor cap under the Internal Revenue Code to trigger such a payment for him.

For purposes of Mr. Kotick's employment agreement, a change of control is defined to include: (a) the acquisition of 25% or more of our outstanding voting stock (except if, after that acquisition, the person or group which acquired that stock beneficially owns fewer shares than Vivendi and its affiliates in the aggregate and does not have, by virtue of that beneficial ownership or by contract the right to elect a majority of the Board), (b) the failure of the directors who constituted the Board at the time of the Vivendi Games Combination (or replacements who are approved by a majority of such directors) to constitute a majority of the Board, or (c) a consolidation, merger or sale of all or substantially all of our assets in which our stockholders do not retain in excess of 65% of the combined voting power of the corporation or other person or entity resulting from that transaction in substantially the same proportion as their ownership of the voting securities of Activision Blizzard immediately before the transaction. No change of control will be deemed to have occurred upon the acquisition of additional control of Activision Blizzard by Vivendi or by any one person or more than one person acting as a group that beneficially owns, directly or indirectly, more than 50% of our total outstanding voting stock. Although the transactions contemplated by the Vivendi Share Purchase Agreement could have been deemed to constitute a change of control as defined in his employment agreement, Mr. Kotick voluntarily waived any rights he had to payments, benefits and vesting upon a change of control under his agreement in connection therewith. Please see "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships with Our Directors and Executive Officers—Waiver and Acknowledgement Letters" below for further information on the waiver.

**(6) Continuation of Insurance Benefits**

The amounts shown represent the estimated cost to us for continuation of health/medical insurance benefits and, if applicable, life insurance benefits for the required period, based on the cost to us of providing those benefits as of December 31, 2014. Please see footnotes (2), (3), (4) and (5) for a description of the termination scenarios for which these amounts are relevant.

**(7) Treatment of Equity Awards**

The amounts shown represent the value of any restricted shares, restricted share units or performance shares which vest or as to which the restrictions would have lapsed upon termination, measured as the NASDAQ Official Closing Price of \$20.15 per share of our Common Stock on December 31, 2014.

The outstanding equity awards that would have continued to vest in accordance with their vesting schedules do not have any additional value attributed to them in this table over the value based on the \$20.15 stock price on December 31, 2014 because the market price of our Common Stock at the time of vesting cannot be determined.

The effects of termination as of December 31, 2014 on the outstanding equity awards held by each named executive officer on that date are as follows:

(a) For Mr. Kotick, on the date of termination:

in the event of a termination of his employment due to death or disability or in the event of a termination of his employment by us without cause or by Mr. Kotick for good reason, subject to his execution of an effective and irrevocable release (other than in the event of a termination of his employment due to death):

the stock options granted to him prior to January 1, 2007 would remain exercisable until the earlier of the fifth anniversary of his termination date and their original expiration date and the stock options granted to him on June 15, 2007 and December 15, 2007 would remain exercisable until their original expiration date;

~~those~~ restricted share units granted to him on March 15, 2012 that would have vested had he remained employed for the 24 months following his termination date would have vested (unless such termination had been during the

12-month period following a change of control, in which case it would have been those restricted share units that would have vested had he remained employed for the 36 months following his termination date rather than the 24 months thereafter);

if the performance condition for a relevant period (*i.e.*, the periods ending December 31, 2014 and 2014) is met or exceeded, the performance shares would vest at the end of the period (and, for purposes of this table, the amount shown is based upon actual performance for the first performance period (*i.e.*, January 1, 2012 – December 31, 2014) and target performance for the second performance period (*i.e.*, January 1, 2013 – December 31, 2014).

For the effects of a change of control and any subsequent termination on Mr. Kotick's equity awards, see footnote (5).

in the event of a termination of employment by us for cause:

his stock options, whether or not vested, would have been canceled;

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~~the unvested portion of his restricted shares with vesting tied to performance would have been canceled; and~~

~~the performance shares would have been canceled.~~

~~in the event of a termination of employment for any other reason:~~

~~his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for 30 days;~~

~~the unvested portion of his restricted shares with vesting tied to performance would have been canceled; and~~

~~the performance shares would have been canceled.~~

As of December 31, 2014, the following equity awards granted to Mr. Kotick were outstanding: (1) vested options to purchase 3,962,998 shares of our Common Stock; (2) 652,650 restricted share units; and (3) 1,030,500 performance shares. Please see “—Outstanding Equity Awards at December 31, 2014” above for further details about these awards.

For the effects of a change of control and any subsequent termination on Mr. Kotick’s outstanding equity awards, see footnote (5).

(b) For  
Mr.  
Durkin:

~~in the event of a termination of employment due to death, on the date of termination:~~

~~his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for one year; and~~

~~his unvested restricted share units would have been canceled.~~

~~in the event of a termination of employment by us for cause, on the date of termination:~~

~~his stock options, whether or not vested, would have been canceled; and~~

~~his unvested restricted share units would have been canceled.~~

~~in the event of a termination of employment for any other reason, on the date of termination:~~

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for 30 days; and

his unvested restricted share units would have been canceled.

As of December 31, 2014, the following equity awards granted to Mr. Durkin were outstanding: (1) vested options to purchase 37,500 shares of our Common Stock; (2) unvested options to purchase 225,000 shares of our Common Stock and (2) 532,500 unvested restricted share units (270,000 of which shares have vesting tied to performance). Please see “—Outstanding Equity Awards at December 31, 2014” above for further details about these awards.

(c) For  
Mr.  
Tippl:

in the event of a termination of employment due to death, on the date of termination:

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for one year; and

his unvested restricted shares would have been canceled.

in the event of a termination of employment by us for cause, on the date of termination:

his stock options, whether or not vested, would have been canceled; and

his unvested restricted share units would have ceased to vest.

in the event of a termination of employment for any other reason, on the date of termination:

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for 30 days, and:

his unvested restricted share would have been canceled.

As of December 31, 2014, the following equity awards granted to Mr. Tippl were outstanding: (1) vested options to purchase 44,427 shares of our Common Stock; and (2) 991,734 restricted share units (681,817 of which shares have vesting tied to performance). Please see “—Outstanding Equity Awards at December 31, 2014” above for further details about these awards.

(d) For  
Mr.  
Sakhnini:

in the event of a termination of employment due to death, on the date of termination:

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for one year; and

his unvested restricted share units would have been canceled.

in the event of a termination of employment by us for cause, on the date of termination:

his stock options, whether or not vested, would have been canceled; and

his unvested restricted share units would have been canceled.

in the event of a termination of employment for any other reason, on the date of termination:

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for 30 days; and

his unvested restricted share units would have been canceled.

As of December 31, 2014, the following equity awards granted to Mr. Sakhnini were outstanding: (1) unvested options to purchase 240,210 shares of our Common Stock; and (2) 147,015 unvested restricted share units (122,015 of which shares have vesting tied to performance). Please see “—Outstanding Equity Awards at December 31, 2014” above for further details about these awards.

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(e) For Mr.  
Morhaime:

in the event of a termination of employment due to death or disability, on the date of termination:

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for one year; and

his unvested restricted shares would have been canceled.

in the event of a termination of employment by us for cause, on the date of termination:

his stock options, whether or not vested, would have been canceled; and

his unvested restricted shares would have been canceled.

in the event of a termination of employment for any other reason, on the date of termination:

his stock options would have ceased to vest and, to the extent vested, would have generally remained exercisable for 30 days, and:

his unvested restricted share would have been canceled.

As of December 31, 2014, the following equity awards granted to Mr. Morhaime were outstanding: (1) unvested options to purchase 499,999 shares of our Common Stock; (2) vested options to purchase 900,000 shares of our Common Stock; and (3) 273,331 unvested restricted share units. Please see “—Outstanding Equity Awards at December 31, 2014” above for further details about these awards.



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## **PROPOSAL 2** ADVISORY VOTE TO APPROVE THE COMPANY'S EXECUTIVE COMPENSATION

### **General**

Our stockholders are being provided the opportunity to cast a non-binding, advisory vote (commonly known as a “say on pay”) on the compensation of the executive officers named in the “Summary Compensation Table” above (*i.e.*, the named executive officers). This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the executive compensation policies and practices described in this proxy statement, through consideration of the following non-binding advisory resolution:

“Resolved, that the stockholders advise that they approve the compensation of the Company’s named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis and the compensation tables and related narrative discussion.”

Please see “Executive Compensation” above for the “Compensation Discussion and Analysis” and the accompanying compensation tables and related narrative discussion relating to compensation paid to our named executive officers, including detail about how our executive compensation policies and practices operate and are designed to achieve our compensation objectives.

Our Compensation Committee and Board believe that the compensation policies and practices articulated in the “Compensation Discussion and Analysis” are effective in enabling us to achieve our financial, operational and strategic goals and that the compensation paid to our named executive officers has allowed, and will continue to allow, us to attract and retain the key executive talent responsible for our recent and long-term success.

### **Required Vote and Board Recommendation**

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the approval of proposal 2. While our Board and its Compensation Committee believe that the views of the Company’s stockholders are of utmost importance and will carefully consider the outcome of the vote expressed by our stockholders when making future executive compensation decisions, the vote will not be binding upon them. Our Board ultimately has a duty to act in what it believes to be the best interests of the Company and all of its stockholders.

Mr. Kotick, our Chief Executive Officer, and Mr. Kelly, the Chairman of our Board, may direct the voting of the shares held by ASAC II LP, an exempted limited partnership established under the laws of the Cayman Islands (*i.e.*,

ASAC), and acting by ASAC II LLC, its general partner. Messrs. Kotick and Kelly may also direct the voting of shares they beneficially own at their discretion, except they have agreed to vote any such shares which, when aggregated with ASAC's shares, represent shares of our Common Stock in excess of 24.9% (or, if the Settlement Agreement is approved and the ASAC Stockholders Agreement is amended in the manner contemplated by the Settlement Agreement prior to the Annual Meeting, 19.9%) of the issued and outstanding Common Stock either in a manner proportionally consistent with the vote of the shares of Common Stock not owned by them or ASAC or in accordance with the recommendation, if any, of a majority of the members of our Board not affiliated with ASAC. As of the record date for the Annual Meeting, ASAC and Messrs. Kotick and Kelly collectively held shares representing approximately 24.6% of our issued and outstanding Common Stock. Messrs. Kotick and Kelly are expected to vote the shares over which they have discretion FOR proposal 2. For more information see "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—ASAC Stockholders Agreement" and "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—Settlement of Litigation Relating to 2013 Vivendi Share Repurchase Transaction" below.

**The Board unanimously recommends that you vote FOR the approval of the Company's executive compensation, as disclosed in this proxy statement.**

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## **DIRECTOR COMPENSATION**

### **General**

Directors of Activision Blizzard who are not employed by us or any of our subsidiaries (the “non-affiliated directors”), receive a mix of compensation, which includes an annual cash retainer, specific cash fees for services rendered and equity awards. Affiliated directors do not receive any compensation for their service on our Board in addition to what they receive in connection with their employment. All of our directors are reimbursed by us for expenses incurred in connection with their service on our Board. We also reimburse our directors’ spouses for travel, lodging and related expenses they incur in attending business-related meetings or events at our request, though such occurrences are uncommon. Pursuant to our director compensation program and the Company’s Corporate Governance Principles and Policies, the Board may provide our directors with other benefits, though no such benefits have been provided recently. On rare occasions, we may provide our directors’ spouses with travel and lodging at our expense when the incremental cost to us for doing so is negligible.

The Compensation Committee annually reviews the compensation plans and policies applicable to all directors and makes recommendations to our Board regarding those plans and policies as needed. Our executive officers may assist the Compensation Committee in obtaining benchmarking and other information relevant to determining director compensation, but management has no role in recommending or determining the amount or form of director compensation. From time to time, the Compensation Committee engages a compensation consultant to assist it in this review.

The Compensation Committee most recently engaged a compensation consultant in October 2013 in connection with the consummation of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements to consider whether the director compensation program, as amended in June 2010, remained appropriate following the transactions. The consultant—Exequity—provided the Compensation Committee with a detailed market competitive analysis of non-employee director compensation practices and policies among our peer group, and, in turn, the Compensation Committee recommended that the Board make changes to our program to better align non-employee director compensation with that of the Company’s peer group. On October 28, 2013, our Board approved changes to our director compensation program consistent with the Compensation Committee’s recommendation.

### **Cash Compensation**

The following table sets forth a summary of the cash elements of our director compensation program that has been in effect since October 28, 2013:

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Annual Retainer	\$90,000
For Serving as Chairperson of the Audit Committee	\$33,000
For Serving as Chairperson of the Compensation Committee	\$22,000
For Serving as Chairperson of the Nominating and Corporate Governance Committee	\$16,500
For Serving as an Audit Committee Member (other than as the Chairperson)	\$11,000
For Serving as a Compensation Committee or Nominating and Governance Committee Member (other than as the Chairperson)	\$5,500
For each Board or Committee Meeting Attended in Person or by Telephone	\$—
Per Day for Special Assignments	\$5,500

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## **Equity Compensation**

Our Board believes that directors more effectively represent our stockholders, whose interests our Board is charged with protecting, if they are stockholders themselves. Since October 28, 2013, each non-affiliated director is entitled, upon his or her election or appointment to our Board and upon each subsequent re-election to the Board, to receive restricted share units representing the right to receive shares of our Common Stock. The grant date value of those restricted share units is \$250,000 (pro-rated in the event of an election or appointment at any time other than at a Board meeting immediately following an annual meeting of our stockholders). The actual number of shares underlying the restricted share units is determined by dividing the grant date fair value of the award by the NASDAQ Official Closing Price of our Common Stock on the date of grant. The grants of restricted share units are made three business days following the date of the first Board meeting at which such grants are approved. Each award vests in four equal installments (on a quarterly basis for the year following the date of grant, subject to continued service on our Board).

## **Stock Ownership Guidelines**

Pursuant to our director compensation program and our Corporate Governance Principles and Policies, each non-affiliated director is required, within four years following his or her initial election to our Board, to beneficially own shares of our Common Stock (including any restricted shares of Common Stock or restricted share units payable in shares of our Common Stock) having an aggregate value at least equal to five times the amount of the annual cash retainer we then pay that director for regular service on our Board. The value of shares owned by each non-affiliated director is calculated as of January 2<sup>nd</sup> of each applicable year (or if that date is not a trading date, the next trading date) based on the higher of: (a) the NASDAQ Official Closing Price of our Common Stock on that day; and (b) the NASDAQ Official Closing Price of our Common Stock on the date of grant (or if that date is not a trading date, the next trading date), for any shares awarded to the director by us, and the actual cost to the director for any other shares (including shares acquired upon exercise of a stock option). Non-affiliated directors are subject to these guidelines for as long as they continue to serve on our Board.

## **Indemnification**

We maintain a directors and officers insurance policy that insures all of our directors from claims arising out of an alleged wrongful act by them in their capacity as directors of Activision Blizzard. Further, our Certificate of Incorporation and our Bylaws require us to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law.

In addition, we enter into indemnification agreements with certain of our non-affiliated directors which require us, among other things, to indemnify those directors against certain liabilities that may arise by reason of their status or service as directors, provided that they acted in good faith and in a manner they reasonably believed to be in, or not

opposed to, our best interests (and, with respect to any criminal action, suit or proceeding, that they had no reasonable cause to believe that their conduct was unlawful). The indemnification agreements also require us to advance expenses incurred by our non-affiliated directors as a result of any proceeding against them as to which they could be indemnified.

### Compensation for 2014

The following table sets forth a summary of certain information regarding the compensation of our directors for 2014, other than Mr. Kotick, as the compensation he received as an employee of the Company is included in the “Summary Compensation Table” above and he does not receive any additional compensation for his Board service. The information in the table reflects Mr. Kelly’s compensation as an employee of the Company, as he receives no additional consideration for his Board service.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (1)(2)(3) (\$)	Option Awards (1)(2)(3) (\$)	All Other Compensation (\$)	Total (\$)
Robert J. Corti	129,875	250,000	—	—	379,875
Brian G. Kelly	100,385	(4) —	—	14,082	(4) 114,467
Barry Meyer <sup>(5)</sup>	95,500	354,176	—	—	449,676
Robert J. Morgado	139,500	250,000	—	—	389,500
Peter Nolan	95,500	250,000	—	—	345,500
Richard Sarnoff	102,375	250,000	—	—	352,375
Elaine Wynn	95,500	250,000	—	—	345,500

*The amounts in the Stock Awards and Option Awards columns represent the aggregate grant date fair value of stock awards and stock option awards granted in 2014 to each person who served on our Board during the year who is not a named executive officer (in each case, computed in accordance with ASC Topic 718). As such, the amount shown represents the full aggregate grant date fair value, rather than the portion being expensed for financial statement reporting purposes in 2014. Assumptions and key variables used in the calculation of these grant date fair values are discussed in footnote 15 to our audited financial statements included in our 2014 10-K.*

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The following table sets forth the number of shares underlying stock awards (which consist of restricted share units) and stock option awards granted in 2014 to each person who served on our Board during 2014 who is not a named executive officer. The table also sets forth the grant date fair value of those stock awards and stock option awards, as applicable (in each case, computed in accordance with ASC Topic 718). Assumptions and key variables used in the calculation of these grant date fair values are discussed in footnote 15 to our audited financial statements included in our 2014 10-K.

Name	Number of Shares Underlying Stock Awards Granted in 2014	Grant Date Fair Value of Stock Awards Granted in 2014	Number of Shares Underlying Options Granted in 2014	Grant Date Fair Value of Options Granted in 2014
(#)	(\$)	(#)	(\$)	
Robert J. Corti	11,655	250,000	—	—
Brian G. Kelly	—	—	—	—
Barry Meyer	17,036	354,176	—	—
Robert J. Morgado	11,655	250,000	—	—
Peter Nolan	11,655	250,000	—	—
Richard Sarnoff	11,655	250,000	—	—
Elaine Wynn	11,655	250,000	—	—

The following table presents, as of December 31, 2014, the number of shares underlying outstanding stock options and stock awards (which consist of restricted share units and, in the case of Mr. Kelly, performance shares) held by each director who served in 2014 and who is not a named executive officer:

Name	Number of Shares Underlying Options as of December 31, 2014	Number of Shares Underlying Unvested Stock Awards as of December 31, 2014
(#)	(#)	(#)
Robert J. Corti	228,334	27,827
Brian G. Kelly	262,998	866,575 (a)
Barry Meyer	—	7,172 (b)
Robert J. Morgado	226,334	5,827
Peter Nolan	—	5,827 (c)
Richard Sarnoff	148,000	5,827
Elaine Wynn	—	5,827

Consists of 530,560 performance shares and 336,015 restricted share units, each representing the right to receive one share of our Common Stock. The number of performance shares reflected in the table is the target amount; the maximum number of performance shares subject to the award at December 31, 2014 was 1,239,500 and includes 178,380 performance shares from the first and second performance periods that are eligible to vest at the end of future performance periods. The restricted share units are held by a grantor retained annuity trust of which Mr. Kelly is the annuitant beneficiary and his wife, Joelle Kelly, is the trustee.

(a) One-half of these restricted share units are held in each of the Barry Meyer Separate Property Trust and the Barry and Wendy Meyer Trust.

(b) These restricted share units are held by Mr. Nolan's employer, Leonard Green and Partners, L.P.

(c) Mr. Kelly is party to an employment agreement with us, dated as of June 30, 2012, pursuant to which he serves as our Chairman, a copy of which is filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012. Mr. Kelly's term of employment under that agreement continues through June 30, 2016. Pursuant to

*his employment agreement, Mr. Kelly's annual base salary was \$100,000 as of June 30, 2012 (reduced from the \$450,000 annual base salary he was receiving before he entered into his current employment agreement). While Mr. Kelly is also eligible for an annual bonus if the Company achieves its objectives for the applicable year, the actual amount of which is determined at the Compensation Committee's sole discretion, no such bonus was awarded for 2014. As an inducement to enter into the employment agreement, Mr. Kelly was granted 1,061,121 performance shares (2,122,241, if maximum performance is achieved) and 1,061,121 restricted share units, each representing the right to receive one share of our Common Stock. Mr. Kelly's employment agreement also provides for payments upon the occurrence of certain termination events or a change of control. Additionally, on March 4, 2014, the Compensation Committee established the metrics for the 2014-2015 performance period and a grant date fair value for that portion of the award was established for financial reporting purposes in accordance with ASC 718 (which amount was greater than the amount reported in 2012 by \$1,494,853, assuming target performance, and by \$2,989,706, assuming maximum performance, due to share price appreciation between March 15, 2012 and March 4, 2014). In addition, Mr. Kelly is entitled to participate in all benefits plans generally available to our senior executive officers and we maintain a \$6 million supplemental term life insurance policy for the benefit of his estate. As a result, during 2014, he also received other compensation consisting of \$10,197 in insurance premiums paid by us with respect to life and long-term disability insurance for his benefit and \$3,885 in "matching" contributions by us to his account under our 401(k) plan.*

*(5) Barry Meyer was elected to our Board on January 15, 2014.*



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## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Policies and Procedures**

#### **Review, Approval or Ratification of Transactions with Related Persons**

##### **Related Person Transactions Policy**

We have a Related Person Transactions Policy pursuant to which the Audit Committee evaluates transactions, arrangements or relationships (or any series of similar transactions, arrangements or relationships) in which (1) we directly or indirectly were, are or will be a participant, (2) the amount involved exceeds \$120,000, and (3) a related person had, has or will have a direct or indirect interest. For the purposes of that policy, a “related person” is (a) one of our executive officers or directors, a person nominated for election to our Board, or any such person’s immediate family member, (b) an entity that any of them controls or in which any of them has a substantial business ownership, or (c) any person who beneficially owns more than 5% of our Common Stock or any such person’s immediate family member. Our Related Person Transactions Policy does not cover any employee benefit plan, program, agreement or arrangement that has been approved by the Compensation Committee or recommended by that committee for approval by our Board. Nor does it cover any dealings with Vivendi or any of its affiliates (as they are addressed by our Certificate of Incorporation and Bylaws).

Under our Related Person Transactions Policy, our Chief Legal Officer is generally responsible for making an initial determination as to whether something is a related party transaction within the meaning of the policy and notifying the Audit Committee if he or she concludes that it is. The Audit Committee evaluates each related person transaction taking into consideration the following factors:

- the purpose of the transaction and what benefit it provides us;
- the terms of the transaction and whether the terms are arm’s-length and in the ordinary course of our business;
- the direct or indirect nature of the related person’s interest in the transaction;
- the size and expected term of the transaction;
- whether the transaction was initiated by us or the related person;
- applicable law and listing standards;
- the availability of comparable goods or services from non-related persons;
- the potential for reputational harm;
- our Certificate of Incorporation and our Bylaws; and
- other facts and circumstances the Audit Committee believes to be relevant.

The Audit Committee may approve or ratify the related party transaction if it determines that the transaction is in the best interests of the Company and consistent with law and our Certificate of Incorporation and our Bylaws. If the Audit Committee does not approve or ratify the transaction, it may be voided, terminated or amended.

## **Code of Conduct and Conflicts of Interest**

Our Code of Conduct addresses the handling of actual and potential conflicts of interest between our interests and the interests of our employees, including our executive officers, and our directors, which may include related party transactions. In accordance with our Code of Conduct, such actual or potential conflicts of interest must be disclosed. Once disclosed, our legal department, working with relevant parties, will evaluate the conflict and determine how to manage or resolve it.

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## **Relationships and Transactions**

### **Relationships and Transactions with Vivendi and its Affiliates**

#### **2008 Combination of Activision and Vivendi Games and 2013 Vivendi Share Repurchase Transaction**

On July 9, 2008, the business combination (the “Vivendi Games Combination”) by and among the Company (then known as Activision, Inc.), Sego Merger Corporation, a wholly owned subsidiary of the Company, Vivendi, VGAC, a wholly owned subsidiary of Vivendi (“VGAC”), and Vivendi Games, a wholly owned subsidiary of VGAC, was consummated. Vivendi and its subsidiaries owned approximately 54% of the issued and outstanding shares of our Common Stock following the consummation of the Vivendi Games Combination.

On October 11, 2013, we repurchased approximately 429 million shares of our Common Stock, pursuant to a stock purchase agreement (the “Vivendi Share Purchase Agreement”) we entered into on July 25, 2013, with Vivendi and ASAC II LP, an exempted limited partnership established under the laws of the Cayman Islands (i.e., ASAC), acting by its general partner, ASAC II LLC. Pursuant to the terms of the Vivendi Share Purchase Agreement, we acquired all of the capital stock of Amber Holding Subsidiary Co., a Delaware corporation and wholly owned subsidiary of Vivendi (“New VH”), which was the direct owner of approximately 429 million shares of our Common Stock, for a cash payment of \$5.83 billion, or \$13.60 per share, before taking into account the benefit to the Company of certain tax attributes of New VH assumed in the transaction (collectively, the “Vivendi Share Repurchase Transaction”).

Pursuant to the Vivendi Share Purchase Agreement, on October 11, 2013, immediately following the completion of the Vivendi Share Repurchase Transaction, ASAC, acting by its general partner, ASAC II LLC, purchased 172 million shares of our Common Stock from Vivendi for a cash payment of \$2.34 billion (i.e., the ASAC Private Sale). As a consequence, we ceased to be a controlled company.

On May 28, 2014, Vivendi sold approximately 41 million shares, or 50% of its then-remaining shares, of our Common Stock, reducing its ownership in the Company to less than 10%.

As of the record date for the Annual Meeting, we had approximately 726 million shares of our Common Stock issued and outstanding, of which (1) Vivendi held approximately 41 million shares, or approximately 5.7%, (2) ASAC held approximately 172 million shares, or approximately 23.7%, and (3) our other stockholders held approximately 70.6%.

#### **Amended and Restated Investor Agreement**

In connection with the consummation of the Vivendi Games Combination, on July 9, 2008, we, Vivendi, VGAC and Vivendi Games entered into an investor agreement. The investor agreement was amended and restated in connection with the consummation of the Vivendi Share Repurchase Transaction. The investor agreement, as so amended and restated, contains various agreements among the parties regarding, among other things:

Vivendi's agreement to (1) until the six-month anniversary of the date that Vivendi and its controlled affiliates cease to beneficially own at least 5% of the outstanding shares of our Common Stock, vote the portion of its shares of our Common Stock which represent shares of our Common Stock in excess of 9.9% of the issued and outstanding Common Stock either in a manner proportionally consistent with the vote of the shares of Common Stock not owned by Vivendi or in accordance with the recommendation, if any, of a majority of the directors then serving on our Board who are "independent" under the NASDAQ Rules and who are otherwise not ineligible nominees within the meaning of the agreement and (2) vote its shares of our Common Stock in favor of certain changes to our Certificate of Incorporation and our Bylaws (which changes to our Certificate of Incorporation were approved at the 2014 annual meeting of our stockholders);

Vivendi's agreement, subject to certain exceptions, to a standstill under which it may not acquire additional shares of our Common Stock, call a meeting of our stockholders, initiate a stockholder proposal for action by our stockholders or engage in the solicitation of proxies or consents to vote any of our voting securities, until six months after Vivendi and its controlled affiliates cease to beneficially own at least 5% of the outstanding shares of our Common Stock; our agreement to reimburse Vivendi for stock-settled equity award expenses and to make payments in respect of the exercise of cash-settled equity awards, in each case as they relate to certain equity awards granted by Vivendi and its controlled affiliates to Vivendi Games' employees prior to the consummation of the Vivendi Games Combination; our agreement to, for all periods prior to and including December 31, 2013, provide Vivendi with our quarterly consolidated financial statements, to use reasonable best efforts to comply with Vivendi's consolidation and financial reporting process and to provide to Vivendi with that financial and tax-related information with respect to Activision Blizzard and our subsidiaries as is reasonably necessary for Vivendi to comply with certain reporting obligations and regulatory requirements; and our grant of certain registration rights to Vivendi, including demand registration rights with respect to its remaining shares of our Common Stock, and our agreement to indemnify certain parties for certain liabilities in connection with those registrations.

In accordance with the investor agreement, during 2014:

- we made an aggregate of \$1,003,167 in payments in respect of cash-settled equity awards granted by Vivendi and its controlled affiliates to Vivendi Games' employees prior to the consummation of the Vivendi Games Combination;
- Vivendi reimbursed us for an aggregate of \$108,650 in respect of expenses we incurred relating to our reporting obligations to Vivendi.

The agreement automatically terminated on August 26, 2014, as Vivendi's voting interest had fallen and remained below 9.9% for a period of more than 90 days on that date (although all of the provisions of the agreement summarized above survived such termination except for our obligations to reimburse Vivendi in respect of certain equity award related expenses).

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## **Tax Sharing Agreement**

Also in connection with the consummation of the Vivendi Games Combination, on July 9, 2008, we entered into a tax sharing agreement with Vivendi Games and Vivendi Holding I Corp., a subsidiary of Vivendi (“VHIC”). The tax sharing agreement sets forth various agreements among the parties relating to, among other things:

- the joining of Activision Blizzard or certain of our subsidiaries in the filing of certain consolidated, combined or unitary income or franchise tax returns that VHIC may elect or be required to file;
- the payment by us and our subsidiaries to VHIC of amounts representing certain tax liabilities attributable to us and our subsidiaries;
- the payment by VHIC to us of (or the offsetting of certain of our obligations to pay VHIC with) amounts in respect of fifty percent of the tax liability associated with certain distributions that may be made by non-U.S. subsidiaries of Vivendi Games to us (or certain of our U.S. subsidiaries) during the five-year period following the consummation of the Vivendi Games Combination;
- VHIC’s indemnification of us for certain tax liabilities imposed on us arising in periods prior to the consummation of the Vivendi Games Combination in respect of Vivendi Games or its subsidiaries or resulting from VHIC’s failure to pay the Vivendi group’s tax liabilities and our indemnification of VHIC for certain tax liabilities imposed on the Vivendi group for our failure to pay our tax liabilities;
- the control of certain tax contests with certain taxing authorities; and
- the resolution of certain tax disputes between the parties.

In addition, the agreement specifies certain procedural matters that will apply in any tax contest with any taxing authority. During 2014, we did not pay Vivendi anything in accordance with the tax sharing agreement and Vivendi paid us an aggregate of \$128,509 in accordance therewith.

The agreement was not impacted by the consummation of the Vivendi Share Repurchase Transaction and remains in full force until both parties agree to terminate it in writing.

## **Relationships with Universal Music Group and its Affiliates**

Our subsidiaries are party to a number of agreements with Universal Music Group, a wholly owned subsidiary of Vivendi, and its affiliates. These agreements pertain to the licensing of master recordings and compositions for our games and for marketing and promotional purposes. During 2014, we paid an aggregate of \$2,245,461 in royalties and other fees to Universal Music Group and its affiliates for those uses. Our subsidiaries are also party to a number of agreements with Universal Music Group and its affiliates pertaining to the distribution of music we own pursuant to which Universal Music Group and its affiliates paid us an aggregate of \$194,096 during 2014.

## **Telecommunication Services from SFR**

Two of our subsidiaries utilize the services of SFR, a wholly owned subsidiary of Vivendi and telecommunications services provider. During 2014, we paid an aggregate of \$164,036 to SFR in respect of such services.

## **Relationships and Transactions with ASAC**

### **Private Sale of Stock by Vivendi to ASAC**

Pursuant to the Vivendi Share Purchase Agreement (see “—Relationships and Transactions with Vivendi and its Affiliates—2008 Combination of Activision and Vivendi Games and 2013 Vivendi Share Repurchase Transaction” above), on October 11, 2013, immediately following the completion of the Vivendi Share Repurchase Transaction, ASAC, acting by its general partner, ASAC II LLC, purchased 172 million shares of our Common Stock from Vivendi for a cash payment of \$2.34 billion (i.e., the ASAC Private Sale).

ASAC is an investment vehicle formed by Mr. Kotick, our Chief Executive Officer, and Mr. Kelly, the Chairman of our Board. ASAC II LLC, the general partner of ASAC, is managed and controlled by Messrs. Kotick and Kelly, and each of them owns, through his affiliates, 50% of the membership interests of the general partner. Each of Messrs. Kotick and Kelly made, through his affiliates, a \$50,000,000 capital contribution to the general partner, which in turn made capital contributions to ASAC in the aggregate amount of \$100,000,000 in exchange for preferred and common interests in ASAC. Messrs. Kotick and Kelly, through the general partner, are entitled to exercise the rights of ASAC as a stockholder of Activision Blizzard.

ASAC owned approximately 24% of the issued and outstanding shares of our Common Stock as of December 31, 2014.

### **ASAC Stockholders Agreement**

In connection with the ASAC Private Sale, on October 11, 2013, we, ASAC and, for the limited purposes set forth therein, Messrs. Kotick and Kelly entered into a stockholders agreement (the “ASAC Stockholders Agreement”). The ASAC Stockholders Agreement, as so amended and restated, contains various agreements among the parties regarding, among other things:

ASAC's agreement to vote the portion of its shares of our Common Stock which represent shares of our Common Stock in excess of 24.9% (or, if the Settlement Agreement is approved and the ASAC Stockholders Agreement is amended in the manner contemplated by the Settlement Agreement prior to the Annual Meeting, 19.9%) of the issued and outstanding Common Stock either in a manner proportionally consistent with the vote of the shares of Common Stock not owned by ASAC or Messrs. Kotick and Kelly or in accordance with the recommendation, if any, of a majority of the members of our Board not affiliated with ASAC then serving on the Board (see "Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—Settlement of Litigation Relating to 2013 Vivendi Share Repurchase Transaction" below);

our grant of certain registration rights to ASAC, including demand and piggyback registration rights and our agreement to indemnify certain parties for certain liabilities in connection with those registrations;

ASAC's agreement, subject to certain exceptions, not to transfer or announce any intention to transfer its shares of our Common Stock without prior written consent of the majority of our unaffiliated



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directors (as defined in the agreement) prior to the end of the 12-month period following the closing of the ASAC Private Sale and thereafter during our regularly scheduled trading blackout periods; and

ASAC's agreement, subject to certain exceptions, to a standstill under which it may not acquire additional shares of our Common Stock, call a meeting of our stockholders, initiate a stockholder proposal for action by our stockholders or engage in the solicitation of proxies or consents to vote any of our voting securities, until six months after ASAC and its controlled affiliates cease to beneficially own at least 5% of the outstanding shares of our Common Stock.

The agreement will terminate if and when ASAC ceases to own any shares of our Common Stock.

### **Settlement of Litigation Relating to 2013 Vivendi Share Repurchase Transaction**

On December 19, 2014, the Company, as the nominal defendant, entered into a stipulation of compromise and settlement (the "Settlement Agreement") with respect to the litigation captioned *In re: Activision Blizzard, Inc. Stockholder Litigation* (the "Lawsuit") relating to the Vivendi Share Repurchase Transaction and the ASAC Private Sale. Vivendi and ASAC are also party to the Settlement Agreement, as are certain former members of our Board who were appointed to the Board by Vivendi, the members of the special committee of the Board formed in connection with the Company's consideration of the transaction, Messrs. Kotick and Kelly, and the lead plaintiff, Anthony Pacchia.

At the time they entered into the Settlement Agreement, Vivendi and ASAC owned approximately 6% and 24%, respectively, of the issued and outstanding shares of our Common Stock.

The Delaware Court of Chancery held a hearing on March 4, 2015, to consider the approval of the Settlement Agreement, and a decision by the court is expected on or before June 2, 2015.

If the Settlement Agreement is approved:

- the Lawsuit will be dismissed with prejudice;
- the plaintiff, the Company, the class and every stockholder will release all claims against the defendants relating to the transactions consummated pursuant to the Stock Purchase Agreement;
- the defendants will release all claims against our stockholders, officers and directors, and the affiliates of them, relating to the institution, prosecution of and settlement of the Lawsuit (other than claims relating to the enforcement of the settlement);
-

the defendants will pay an aggregate of \$275 million to us, \$67.5 million of which will be paid by Vivendi and the remaining \$207.5 million of which will be paid by the remaining defendants or their insurers, up to \$72.5 million of which may be paid to the plaintiff's counsel (who may, in turn, pay up to \$50,000 to the lead plaintiff); on or prior to July 31, 2015, the number of members of which our Board consists will be increased by two and, for so long as ASAC holds at least 5% of the our Common Stock, the resulting vacancies will be filled by persons who are independent of, and unaffiliated with, ASAC and their affiliates (including Messrs. Kotick and Kelly); and the ASAC Stockholders Agreement will be amended to provide that, for so long as ASAC holds at least 5% of our Common Stock, Messrs. Kotick and Kelly must vote any shares of our Common Stock they beneficially own which, when aggregated with ASAC's shares, represent shares of our Common Stock in excess of 19.9% of the Company's common stock either (1) in a manner proportionally consistent with the vote of the shares of common stock not owned by them or ASAC or (2) in accordance with the recommendation, if any, of a majority of the members of the Board not affiliated with ASAC; the ASAC Stockholders Agreement currently obligates Messrs. Kotick and Kelly to vote any shares of our Common Stock they beneficially own which, when aggregated with ASAC's shares, represent shares of our Common Stock in excess of 24.9% of our Common Stock in that manner (see "—ASAC Stockholders Agreement" above).

## **Relationships with Our Directors and Executive Officers**

### **Private Sale of Stock by Vivendi to ASAC**

Messrs. Kotick and Kelly are the managers of ASAC II LLC, the general partner of ASAC. In addition, Peter Nolan, a member of our Board, is a senior advisor to Leonard Green & Partners, L.P., one of the limited partners of ASAC. Please see "—Relationships and Transactions with ASAC" above for more information about ASAC.

### **Waiver and Acknowledgement Letters**

Pursuant to, and concurrently with, the signing of the Vivendi Share Purchase Agreement, we and each of Messrs. Kotick and Kelly entered into certain waiver and acknowledgement letters that provided, among other things:

- that the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements, taken individually or collectively, would not (or would be deemed not to) constitute a "change in control" (or similar term) under their respective employment arrangements, including Messrs. Kotick and Kelly's respective employment agreements with us, our 2008 Plan or any award agreements in respect of awards granted thereunder, or other benefit plans and arrangements;
- that in determining whether a "change in control" or similar term had occurred with respect to Messrs. Kotick and Kelly's employment arrangements with the Company (1) the shares of our Common Stock acquired by ASAC and held or controlled directly by ASAC, by the investors in ASAC, Messrs. Kotick and Kelly, any lender to ASAC or their respective affiliates or transferees in connection with the transactions would not be included in or count toward such determination, (2) the investors in ASAC would not be deemed to be a group for purposes of such

determination, and (3) any changes in the composition of our Board, in connection with or during the one-year period following the consummation of the transactions would not contribute towards such determination; and

• for the waiver by Messrs. Kotick and Kelly of their rights to change in control related payments, benefits or vesting under their respective employment agreements with us, our 2008 Plan or any award

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agreements in respect of awards granted thereunder, and other benefit plans and arrangements (in each case, with respect to all current and future grants, awards, benefits or entitlements) in connection with or as a consequence of the transactions contemplated by the Vivendi Share Purchase Agreement and its ancillary agreements.

**Business Use of Aircraft Indirectly Owned by Our Chief Executive Officer**

Mr. Kotick indirectly owns aircraft that are operated by an FAA-certified charter operator he controls. From time to time, Mr. Kotick and our other executives and directors of the Company use these aircraft for travel in connection with our business. We pay for such use an amount that is not greater than 80% of the charter operator's regular hourly flight charges plus 100% of the charter operator's charges for certain "pass through" costs incurred in obtaining goods and services for the flights. During 2014, the Company paid \$993,643 for business-related use of these aircraft, including by our executives and directors. Our use of these aircraft was authorized by the Audit Committee, which believes that this arrangement provides us with substantial value because our cost is significantly less than the cost we would incur if we were to charter aircraft from another charter operator and pay market rates.

**Business Use of Aircraft Indirectly Owned by Our Chairman**

Mr. Kelly indirectly owns an aircraft that is leased to, and operated by, an independent FAA-certified charter operator. Mr. Kelly's controlled entity receives a set rate from the charter operator for the time that the aircraft is operated, which is approximately 80% of the average market-based rate charged to third parties. From time to time, Mr. Kelly and other executives and directors of the Company charter this aircraft from the independent FAA-certified charter operator for travel in connection with our business. We pay for such use an amount equal to 100% of the hourly flight rate charged by the charter operator to Mr. Kelly (which is equal to the amount the charter operator pays Mr. Kelly's controlled entity) plus 100% of the charter operator's charges for certain "pass through" costs incurred in obtaining goods and services for the flights. During 2014, the Company paid \$95,844 for business-related use of this aircraft, including by our executives and directors. Our use of this aircraft was authorized by the Audit Committee, which believes that this arrangement provides us with substantial value because our cost is significantly less than the cost we would incur if we were to charter aircraft from another charter operator and pay market rates.

**Employed Family Members**

Amy Morhaime, a long-tenured employee of the Company, is the wife of Mr. Morhaime, Blizzard Entertainment's Chief Executive Officer. In 2014, Ms. Morhaime earned an aggregate of \$480,395 in cash compensation, consisting of salary and bonuses. She was also granted (1) 5,653 performance-based restricted share units, the number of which assumes maximum performance (target performance would result in the vesting of 4,522 shares), which vest in full in March 2018 if the Compensation Committee determines that the underlying financial performance objectives are met or exceeded, and (2) an option to purchase 10,555 shares of our Common Stock, which will vest in three equal installments on each November 14, 2015, 2016 and 2017. The elements of her compensation are consistent with the

compensation provided to other employees of the same level with similar responsibilities.

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The table below sets forth the categories and amounts (including out-of-pocket expenses incurred by PricewaterhouseCoopers LLP in connection with providing such services and billed to us) paid to PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2014 and 2013.

	<b>Fiscal Year Ended</b>	
	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Audit Fees <sup>(1)</sup>		
Worldwide including statutory audit fees	\$5,667,963	\$ 5,388,462
Accounting assistance and SEC documents	86,500	—
Total audit fees	5,754,463	5,388,462
Audit-Related Fees <sup>(2)</sup>	—	225,000
Tax Fees <sup>(3)</sup>		
Compliance	3,170,278	2,942,598
Planning and advice	904,197	1,286,618
Total tax fees	4,074,475	4,229,216
All Other Fees <sup>(4)</sup>	57,900	55,450
<b>TOTAL</b>	<b>\$9,886,838</b>	<b>\$ 9,898,128</b>

*Audit Fees: This category includes services provided in connection with the annual audit of our financial statements (including required quarterly reviews of financial statements included in our Quarterly Reports on Form 10-Q), services provided in connection with the annual audit of our internal controls over financial reporting, as required by Section 404 of the Sarbanes Oxley Act of 2002, statutory audits required for certain of our non-U.S. subsidiaries, consents, assistance with and review of documents filed with the SEC and other services that are normally provided in connection with statutory or regulatory filings or engagements.*

*Audit-Related Fees: This category includes fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. For 2013, amounts relate to assurance services associated with the debt financing related to the Vivendi Share Repurchase Transaction.*

*Tax Fees: This category includes services rendered for U.S. and foreign tax compliance and returns, transfer pricing, research and development tax credit and other technical tax consulting.*

*All Other Fees: This category includes fees for all other services except those described above. For 2014, amounts relate to assistance with the Company's XBRL filings, assistance with international industry filings, assistance with the Company's Form SD, and license fees paid for an online research tool. For 2013, amounts relate to assistance with the Company's XBRL filings, assistance with international industry filings and license fees paid for an online research tool.*

## **Pre-Approval Policies and Procedures**

In accordance with the Audit Committee charter, the Audit Committee or one or more members of the Audit Committee designated by the chair of the Audit Committee must approve all audit and non-audit services before they are provided by our independent auditors. The Audit Committee has delegated that authority to its chairperson. The Audit Committee's chairperson has pre-approved services provided by our independent auditors that, while not specifically contemplated by the budget approved by the full Audit Committee, are of a type previously approved by the Audit Committee, provided that the fees with respect to any such service are expected to be less than \$50,000. If and when such services are approved by other-than the full Audit Committee, the Audit Committee's chairperson must report it to the Audit Committee at its next scheduled meeting. At each regularly scheduled Audit Committee Meeting, management updates the Audit Committee on, among other things, the scope and anticipated cost of any service pre-approved by the Audit Committee's chairperson since the last meeting of the committee. All services provided to the Company by PricewaterhouseCoopers LLP for 2014 were approved by the Audit Committee in accordance with these pre-approval policies and procedures.

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## **Audit Committee Report**

Management is responsible for our system of internal control over financial reporting. Our independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of our consolidated financial statements and the effectiveness of our internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States), and to issue a report thereon. The Audit Committee is responsible for overseeing management's conduct of the financial reporting process and our system of internal control over financial reporting.

The Audit Committee has reviewed and discussed with both management and our independent registered public accounting firm all annual financial statements prior to their issuance. In connection with these reviews, management advised the Audit Committee that each set of financial statements reviewed had been prepared in accordance with generally accepted accounting principles (i.e., GAAP), and reviewed significant accounting and disclosure issues with the Audit Committee. These reviews included discussion with the independent registered public accounting firm of matters required to be discussed pursuant to Public Company Accounting Oversight Board auditing standard AU 380, including the quality of our accounting principles, the reasonableness of significant judgments and the clarity of disclosure in the financial statements. The Audit Committee also discussed with our independent registered public accounting firm matters relating to such firm's independence, including a review of audit and non-audit fees and the written disclosures and letter from PricewaterhouseCoopers LLP to the Audit Committee as required by applicable requirements of the Public Company Accounting Oversight Board (Independence Discussions with Audit Committees).

Taking all of these reviews and discussions into account, all of the Audit Committee members, whose names are listed below, recommended to our Board that it approve the inclusion of our audited financial statements in our Annual Report on Form 10-K for the period ended December 31, 2014 for filing with the SEC.

### **Members of the Audit Committee**

*Robert J. Corti (Chairperson), Robert J. Morgado and Richard Sarnoff*



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### **PROPOSAL 3** RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has appointed PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the current fiscal year ending December 31, 2014. Please see "Audit-Related Matters—Independent Registered Public Accounting Firm Fees" above for a description of the services provided to us by PricewaterhouseCoopers LLP during the fiscal years ended December 31, 2013 and 2014.

Our Audit Committee has the responsibility for selecting our auditors, and stockholder approval is not required for the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm. However, we believe that our stockholders should have the opportunity to ratify such appointment and we are requesting that they do so at the Annual Meeting.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions.

#### **Required Vote and Board Recommendation**

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the approval of proposal 3. In the event our stockholders fail to ratify the appointment, our Audit Committee will reconsider its selection for the next fiscal year. Even if the appointment is ratified, our Audit Committee may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and our stockholders.

Mr. Kotick, our Chief Executive Officer, and Mr. Kelly, the Chairman of our Board, may direct the voting of the shares held by ASAC II LP, an exempted limited partnership established under the laws of the Cayman Islands (*i.e.*, ASAC), and acting by ASAC II LLC, its general partner. Messrs. Kotick and Kelly may also direct the voting of shares they beneficially own at their discretion, except they have agreed to vote any such shares which, when aggregated with ASAC's shares, represent shares of our Common Stock in excess of 24.9% (or, if the Settlement Agreement is approved and the ASAC Stockholders Agreement is amended in the manner contemplated by the Settlement Agreement prior to the Annual Meeting, 19.9%) of the issued and outstanding Common Stock either in a manner proportionally consistent with the vote of the shares of Common Stock not owned by them or ASAC or in accordance with the recommendation, if any, of a majority of the members of our Board not affiliated with ASAC. As of the record date for the Annual Meeting, ASAC and Messrs. Kotick and Kelly collectively held shares representing approximately 24.6% of our issued and outstanding Common Stock. Messrs. Kotick and Kelly are expected to vote

the shares over which they have discretion FOR proposal 3. For more information see “Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—ASAC Stockholders Agreement” and “Certain Relationships and Related Transactions—Relationships and Transactions—Relationships and Transactions with ASAC—Settlement of Litigation Relating to 2013 Vivendi Share Repurchase Transaction” above.

**The Board unanimously recommends that you vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm.**

[Back to Contents](#)**BENEFICIAL OWNERSHIP MATTERS****Security Ownership of our Officers and Directors**

The following table sets forth information, as of April 1, 2015, with respect to the beneficial ownership of our Common Stock by (1) our named executive officers, (2) each director and each nominee for election as director, and (3) all current executive officers and directors as a group. Unless otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by such stockholder.

Name	Shares of Activision Blizzard Beneficially Owned					
	Shares Owned		Right to Acquire <sup>(1)</sup>		Total Shares Owned plus Right to Acquire	Percent of Outstanding Shares <sup>(2)</sup>
Robert J. Corti	106,234	(3)	158,250	(4)	264,484	*
Dennis Durkin	174,045		112,500	(5)	286,545	*
Brian G. Kelly	174,844,916	(6)	280,683	(7)	175,125,599	24.11 %
Robert A. Kotick	175,592,720	(8)	3,997,348	(9)	179,590,068	24.60 %
Barry Meyer	14,123	(10)	—		14,123	*
Robert J. Morgado	289,976	(11)	226,334	(5)	516,310	*
Michael Morhaime	244,166	(12)	914,273	(13)	1,158,439	*
Peter Nolan	31,534	(14)	—		31,534	*
Humam Sakhnini <sup>(15)</sup>	55,177		25,000	(5)	80,177	*
Richard Sarnoff	115,234		148,000	(5)	263,234	*
Thomas Tippel <sup>(16)</sup>	271,352		44,427	(5)	315,779	*
Elaine Wynn	18,734		—		18,734	*
All current directors and executive officers as a group (15 persons)	180,040,179	(17)	6,136,815	(18)	186,176,994	25.43 %

\* Less than 1%.

*Consists of shares of our Common Stock that may be acquired upon (a) the exercise of stock options to purchase shares of our Common Stock that are exercisable on or within 60 days of April 1, 2015 (i.e., by May 31, 2015) (1) and (b) the vesting of restricted share units reflecting the right to receive shares of our Common Stock that vest, or the settlement of vested restricted share units that settle, within 60 days of April 1, 2015 (i.e., by May 31, 2015).*

*(2) The percent of outstanding shares was calculated by dividing the number of shares of our Common Stock beneficially owned by each beneficial owner or group of beneficial owners as of April 1, 2015 (including the number of shares that each beneficial owner or group of beneficial owners had the right to acquire within 60 days of that date) by the sum of (a) the total number of shares of our Common Stock outstanding on that date (i.e., 725,946,550), and (b) the number of shares that may be acquired by such beneficial owner or group of beneficial*

*owners within 60 days of that date.*

(3) *Consists of shares held jointly by Mr. Corti and his wife, JoAnn Corti, who share voting and investment power with respect to such shares.*

(4) *Consists of (a) options to purchase 139,000 shares of our Common Stock and (b) 19,250 restricted share units, each representing the right to receive one share of our Common Stock.*

(5) *Consists of options to purchase shares of our Common Stock.*

*Consists of (a) 171,968,042 shares held by ASAC, the general partner of which is a limited liability company of which Messrs. Kelly and Kotick are the managers, as to which Mr. Kelly disclaims beneficial ownership except to the extent of his pecuniary interest therein, (b) 577,472 shares held by Mr. Kelly, (c) 472,865 shares held by an irrevocable trust for the benefit of Mr. Kelly's minor children, as to which Mr. Kelly disclaims beneficial ownership, (d) 365,372 shares held by a grantor retained annuity trust of which Mr. Kelly is the annuitant*  
(6) *beneficiary and his wife, Joelle Kelly, is the trustee, (e) 577,093 shares held by the Brian & Joelle Kelly Family Foundation, a charitable foundation of which Mr. Kelly is a trustee, as to which Mr. Kelly disclaims beneficial ownership, (f) 874,472 shares held by the 451211 Trust, a trust for the benefit of Mr. Kotick's minor children of which Mr. Kelly is trustee, as to which Mr. Kelly disclaims beneficial ownership, and (g) 9,600 shares held in UTMA accounts for the benefit of Mr. Kotick's minor children of which Mr. Kelly is the custodian, as to which Mr. Kelly disclaims beneficial ownership.*

*Consists of (a) options to purchase 262,998 shares of our Common Stock and (b) 17,685 restricted share units,*  
(7) *each representing the conditional right to receive one share of our Common Stock, held by a grantor retained annuity trust of which Mr. Kelly is the annuitant beneficiary and his wife, Joelle Kelly, is the trustee.*

*Consists of (a) 171,968,042 shares held by ASAC, the general partner of which is a limited liability company of which Messrs. Kelly and Kotick are the managers, as to which Mr. Kotick disclaims beneficial ownership except to the extent of his pecuniary interest therein, (b) 2,633,071 shares of our Common Stock held in the 10122B*  
(8) *Trust, of which Mr. Kotick is the trustee and the sole beneficiary, (c) 986,807 shares held in the 1011 Foundation, Inc. a charitable foundation of which Mr. Kotick is the President, as to which Mr. Kotick disclaims beneficial ownership and (d) 4,800 shares held in a UTMA account for the benefit of Mr. Kotick's minor relative of which Mr. Kotick is the custodian, as to which Mr. Kotick disclaims beneficial ownership.*

*Consists of (a) options to purchase 3,962,998 shares of our Common Stock held in the 10122B Trust, of which*  
(9) *Mr. Kotick is the trustee and the sole beneficiary, and (b) 34,350 restricted share units, each representing the conditional right to receive one share of our Common Stock.*

*Consists of (a) 7,061 shares held by The Barry Meyer Separate Property Trust, a trust for the benefit of Mr.*  
(10) *Meyer's wife and children of which Mr. Meyer is the trustee, and (b) 7,062 shares held by The Barry and Wendy Meyer Trust, of which Mr. Meyer and his wife, Wendy Meyer, are co-trustees and share voting and investment power with respect thereto.*

*Consists of (a) 259,485.32 shares of our Common Stock held by Mr. Morgado and (b) 30,490.68 shares held by*  
(11) *the Robert J. and Mary Lou Morgado Charitable Trust, a charitable foundation of which Mr. Morgado is a trustee, as to which Mr. Morgado disclaims beneficial ownership.*

(12) *Consists of (a) 239,119 shares of our Common Stock held by Mr. Morhaim and (b) 5,047 shares of our Common Stock held by Mr. Morhaim's wife, Amy Morhaim, who is employed by Blizzard Entertainment.*

(13)

*Consists of (a) options to purchase 900,000 shares of our Common Stock held by Mr. Morhaime and (b) options to purchase 14,273 shares of our Common Stock held by Mr. Morhaime's wife, Amy Morhaime, who is employed by Blizzard Entertainment.*

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*Consists of (a) 12,800 shares held by the Nolan Family Trust and (b) 18,734 shares held by Mr. Nolan's employer, (14) Leonard Green and Partners, L.P., which Leonard Green and Partners received upon the vesting of restricted share units transferred to it by Mr. Nolan and as to which Mr. Nolan disclaims beneficial ownership.*

*(15) Consists of equity held by the Sakhnini Family Trust. Mr. Sakhnini and his wife, Mitzi Reaugh, are co-trustees of such trust and share voting and investment power with respect thereto.*

*(16) Consists of equity held by the Thomas and Laura Tippl Family Trust. Mr. Tippl and his wife, Laura Tippl, are co-trustees of such trust and share voting and investment power with respect thereto.*

*(17) Includes shares of our Common Stock held indirectly by the individuals named in the table, as described above, and shares held by the Company's executive officers not named in the table.*

*(18) Includes (a) options to purchase 5,855,530 shares of our Common Stock and (b) 251,285 restricted share units, each representing the conditional right to receive one share of our Common Stock.*

**Security Ownership of Holders of More Than 5% of Our Common Stock**

The following table sets forth information as to any person (including any "group" as that term is used in Section 13(d)(3) of the Exchange Act) known by us to be the beneficial owner of more than 5% of our Common Stock as of December 31, 2014. The information in the table is based on a review of filings made with the SEC on Schedules 13D and 13G. As of December 31, 2014, there were 721,929,455 shares of our Common Stock outstanding. Unless otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by such stockholder.

	Shares of Activision Blizzard Beneficially Owned	Percent of Outstanding Shares	
ASAC II LP c/o Northern Trust Private Equity Administration, Department 2008, 801 South Canal Chicago, Illinois 60607	171,968,042 <sup>(1)</sup>	23.82	%
FMR LLC 245 Summer Street Boston, Massachusetts 02210	53,438,861 <sup>(2)</sup>	7.40	%
Vivendi 42 avenue de Friedland, 75380 Paris Cedex 08, France	41,499,688 <sup>(3)</sup>	5.75	%
BlackRock, Inc. 55 East 52nd Street New York, New York 10022	37,003,153 <sup>(4)</sup>	5.13	%

*This information is based on a Schedule 13D/A filed with the SEC on December 16, 2013. As previously noted, ASAC is an exempted limited partnership established under the laws of the Cayman Islands, acting by its general partner, ASAC II LLC. Mr. Kotick, our Chief Executive Officer, and Mr. Kelly, the Chairman of our Board, are managers of ASAC II LLC.*

*(2) This information is based on a Schedule 13G/A filed with the SEC jointly by FMR LLC, Edward C. Johnson 3d and Abigail P. Johnson on February 13, 2015. FMR LLC and various of its direct and indirect subsidiaries, in their various fiduciary and other capacities, had sole voting power over 5,861,670 shares of our Common Stock and sole dispositive power over 53,438,861 shares of our Common Stock.*

*(3) This information is based on a Schedule 13D/A filed with the SEC on May 30, 2014.*

*This information is based on a Schedule 13G filed with the SEC by BlackRock, Inc. on February 3, 2015. (4) BlackRock, Inc. had sole voting power over 32,807,726 shares of our Common Stock and sole dispositive power over 37,003,153 shares of our Common Stock.*

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of changes in beneficial ownership of our Common Stock and other equity securities. Those persons are required by SEC rules to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of Section 16(a) forms furnished to us and written representations from certain reporting persons that no Forms 5 were required, we believe that during 2014, all of our executive officers, directors and persons who beneficially owned more than 10% of our Common Stock complied with all filing requirements of Section 16(a) of the Exchange Act on a timely basis.

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## **DIRECTOR NOMINATIONS AND OTHER STOCKHOLDER PROPOSALS FOR 2016 ANNUAL MEETING; COMMUNICATING WITH THE BOARD**

### **How do I nominate a director for election at the 2016 annual meeting and what is the deadline for that submission?**

Under our Bylaws, stockholders who are entitled to vote at the meeting may nominate a person for election to our Board at the 2016 annual meeting of our stockholders by providing proper notice to us in a timely manner. The stockholder must also be a stockholder of record of Activision Blizzard at the time of the giving of the notice. For such a nomination to be considered timely, we must receive it no earlier than February 8, 2016 and no later than March 9, 2016 (unless the date of our 2016 annual meeting is advanced by more than 30 days or delayed by more than 30 days from the anniversary date of the Annual Meeting, in which case the notice must be submitted by the later of the 90<sup>th</sup> day before our 2016 annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of the meeting is first made). To be proper, the notice must be in writing and contain all of the information required by our Bylaws (*e.g.*, the information that would be required to be included in our proxy statement for the meeting if such person was nominated by our Board) and include the written consent of the nominee to serve if elected.

Any such nomination should be sent to our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California 90405.

Stockholders may also submit director candidates directly to our Nominating and Corporate Governance Committee for consideration, as described under “Corporate Governance Matters—Board of Directors and Committees—Identification of Candidates for Election to our Board—Stockholder Recommendation of Director Candidates”.

### **How do I submit a proposal for the 2016 annual meeting and what is the deadline for that submission?**

Any stockholder may present a proposal for inclusion in our proxy statement for, and consideration at, the 2016 annual meeting of our stockholders by submitting his or her proposal to us in writing, in a timely manner. The stockholder must also be a stockholder of record of Activision Blizzard at the time of the giving of the notice. For such notice to be considered timely, our Corporate Secretary must receive it on or before December 24, 2015 (unless the date of our 2016 annual meeting is advanced by more than 30 days or delayed by more than 30 days from the anniversary date of the Annual Meeting, in which case the proposal must be received a reasonable time before we begin to print and mail our proxy materials for our 2016 annual meeting). For such proposal to be included in our proxy statement, it must otherwise be in compliance with Rule 14a-8 under the Exchange Act (*e.g.*, it must be a proper subject for action by stockholders under the Delaware General Corporation Law).



Stockholders who wish to present proposals before our 2016 annual meeting, but do not intend for those proposals to be included in the proxy statement for that meeting, may utilize the procedure in our Bylaws. Under our Bylaws, such proposals may be made by stockholders who are entitled to vote at the meeting by providing proper notice to us in a timely manner and which contains the information required by our Bylaws. The stockholder must also be a stockholder of record of Activision Blizzard at the time of the giving of the notice. For such notice to be considered timely, we must receive it within the time period for the submission of director candidates, described under the immediately preceding question. To be proper, the notice must be in writing and contain all of the information required by our Bylaws (*e.g.*, a brief description of the business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder) and it must pertain to business which is a proper matter for stockholder action under the Delaware General Corporation Law.

Any such proposal should be sent to our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California 90405.

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## **How do I communicate with the Board?**

We think that communication with our stockholders is very important. To communicate directly with our full Board, our independent directors, any committee of our Board, any other group of directors or any individual Board member, stockholders may send written correspondence addressed to such director or directors in care of our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Blvd., Santa Monica, California 90405.

In accordance with our Corporate Governance Principles and Policies, all communications addressed to our Board or one or more directors will be opened by our Corporate Secretary or his or her designee to determine whether the contents contain a message to one or more of our directors. Communications that relate to our accounting practices, internal accounting controls or auditing matters will be referred to the chairperson of the Audit Committee. Any other communications that are not advertising materials, promotions of a product or service, patently offensive materials or matters deemed, in the reasonable judgment of the Corporate Secretary or his or her designee, inappropriate for our Board, will be forwarded promptly to the addressee(s). In the case of communications to our Board or any group or committee of directors, the Corporate Secretary will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the communication is addressed.

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**AVAILABILITY OF PROXY MATERIALS ON THE INTERNET; DELIVERY OF DOCUMENTS TO SECURITY HOLDERS SHARING AN ADDRESS; FINANCIAL AND OTHER INFORMATION**

**How can I get a copy of the proxy statement if I only received a notice?**

In lieu of distributing a printed copy of proxy materials for the Annual Meeting to each of our stockholders, we are making this proxy statement and our annual report for the period ended December 31, 2014 available to our stockholders on the internet. Each of our stockholders who, as of the date on which such notice is mailed, has not requested to receive all proxy materials from us in printed form or via email will receive a notice regarding the internet availability of those materials, which will include instructions on how to access them, as well as how to vote online.

**If you received the notice and would prefer to receive a copy of the materials for the Annual Meeting or future annual meetings of our stockholders via email or would prefer to receive a printed copy of those materials via mail, in each case at no charge, please follow the instructions for obtaining the materials on the notice.**

**What do I do if my family received multiple copies of the proxy materials and only wants one? What do I do if my family only received one copy of the proxy materials but wants one for each member holding stock?**

The SEC has adopted rules that permit companies to deliver a single notice regarding the availability of proxy materials on the internet or a single copy of proxy materials to multiple stockholders sharing an address, unless a company has received contrary instructions from one or more of the stockholders at that address. In accordance with those rules, we may deliver a single notice or copy of proxy materials to multiple stockholders sharing an address but, upon request, will promptly deliver a separate notice or a separate copy of proxy materials to one or more stockholders at a shared address to which a single notice or a single copy of proxy materials was delivered. Stockholders may request a separate notice or a separate copy of proxy materials by calling our Investor Relations department at (310) 255-2000 or by mailing a request to our Corporate Secretary at Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California 90405. Stockholders at a shared address who receive multiple notices or multiple copies of proxy materials may request to receive a single notice or a single copy of proxy materials in the future in the same manner as described above.

**How can I get a copy of the 2014 annual report or the 2014 10-K?**

Our annual report to stockholders for the period ended December 31, 2014, including financial statements, is being provided to our stockholders at the same time as this proxy statement. **If you would like to receive a copy of our Annual Report on Form 10-K for the period ended December 31, 2014, or any of the exhibits listed therein,**

**please call our Investor Relations department at (310) 255-2000 or submit a request in writing to Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attention: Investor Relations, or by email to [ir@activision.com](mailto:ir@activision.com), and we will provide you with the Annual Report without charge, or any of the exhibits listed therein upon the payment of a nominal fee (*i.e.*, the expenses we incur in providing you with the requested exhibits).**

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## **OTHER MATTERS**

### **Costs of the Annual Meeting and Proxy Solicitation**

The Company will bear the entire cost of the Annual Meeting and this proxy solicitation, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card, the notice regarding the internet availability of proxy materials and any additional solicitation materials we send to stockholders. We will reimburse brokers, banks and other nominees holding shares for beneficial owners of our Common Stock for their expenses in forwarding the proxy materials to those beneficial owners. In addition, proxies may be solicited, personally or by mail, telephone or email or other electronic means, by our directors, officers and regular employees without additional compensation.

### **Other Matters Coming Before the Annual Meeting**

Our Board knows of no matters other than those described in this proxy statement that are expected to come before the Annual Meeting. Pursuant to our Bylaws, the deadline for stockholders to notify us of any proposals or director nominations to be presented for action at the Annual Meeting has passed. The proxy may be voted at the discretion of the named proxies on matters incident to the conduct of the meeting.

### **YOUR VOTE IS IMPORTANT.**

Accordingly, whether or not you plan to attend the Annual Meeting, you are urged to promptly vote your shares by proxy. You may vote your shares by proxy by following the instructions under the heading "Procedural Matters" in this proxy statement. If you attend the Annual Meeting, you may withdraw your proxy and vote in person if you so desire.

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**HELPFUL RESOURCES**

**Annual Meeting**

Proxy Statement [investor.activision.com/sec.cfm](http://investor.activision.com/sec.cfm)  
 Annual Report [investor.activision.com/annual-reports.cfm](http://investor.activision.com/annual-reports.cfm)  
 Voting for Record Holders [www.cstproxyvote.com](http://www.cstproxyvote.com)  
 SEC Information on Proxy Matters [www.sec.gov/spotlight/proxymatters.shtml](http://www.sec.gov/spotlight/proxymatters.shtml)

**Board of Directors**

Board of Directors [www.activisionblizzard.com/board-of-directors](http://www.activisionblizzard.com/board-of-directors)  
 Audit Committee Charter [investor.activision.com/corporate-governance-document.cfm?DocumentID=4409](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=4409)  
 NCGC Charter [investor.activision.com/corporate-governance-document.cfm?DocumentID=4420](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=4420)  
 Compensation Committee Charter [investor.activision.com/corporate-governance-document.cfm?DocumentID=4419](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=4419)

**Financial Reporting**

Annual Reports [investor.activision.com/annuals.cfm](http://investor.activision.com/annuals.cfm)  
 Quarterly Reports [investor.activision.com/results.cfm](http://investor.activision.com/results.cfm)

**Company Business**

Corporate Website [www.activisionblizzard.com/](http://www.activisionblizzard.com/)  
 Senior Corporate Management [www.activisionblizzard.com/senior-corporate-management](http://www.activisionblizzard.com/senior-corporate-management)  
 Investor Relations [investor.activision.com/](http://investor.activision.com/)  
 Latest News [investor.activision.com/releases.cfm](http://investor.activision.com/releases.cfm)  
 Events and Presentations [investor.activision.com/events.cfm](http://investor.activision.com/events.cfm)

**Governance Documents**

Bylaws [investor.activision.com/corporate-governance-document.cfm?DocumentID=8711](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=8711)  
 Certificate of Incorporation [investor.activision.com/corporate-governance-document.cfm?DocumentID=8712](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=8712)  
 Code of Conduct [investor.activision.com/corporate-governance-document.cfm?DocumentID=13238](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=13238)  
 Corporate Governance Principles and Policies [investor.activision.com/corporate-governance-document.cfm?DocumentID=6693](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=6693)  
 Executive Stock Ownership Guidelines [investor.activision.com/corporate-governance-document.cfm?DocumentID=14546](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=14546)  
 Related Person Transactions Policy [investor.activision.com/corporate-governance-document.cfm?DocumentID=14915](http://investor.activision.com/corporate-governance-document.cfm?DocumentID=14915)

Web links throughout this document are provided for convenience only, and the content on the referenced websites does not constitute a part of this proxy statement.

[Back to Contents](#)**APPENDIX A RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES****Activision Blizzard, Inc. and Subsidiaries****Reconciliation of GAAP Net Income to Non-GAAP Measures***(Amounts in millions, except earnings per share data)*

Year Ended December 31, 2014	Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	Cost of Sales - Software Royalties Amortization Licenses	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
GAAP Measurement	\$ 4,408	\$ 999	\$ 232	\$ 260	\$ 34	\$ 571	\$ 712	\$ 417	\$ 3,225
Less: Net effect from deferral of net revenues and related cost of sales <sup>(a)</sup>	405	29	-	161	-	-	-	-	190
Less: Stock-based compensation <sup>(b)</sup>	-	-	(1 )	(17 )	-	(22 )	(8 )	(56 )	(104 )
Less: Amortization of intangible assets <sup>(c)</sup>	-	-	-	-	(12 )	-	-	-	(12 )
Less: Fees and other expenses related to the Vivendi Share Repurchase Transaction and related debt financings <sup>(d)</sup>	-	-	-	-	-	-	-	(13 )	(13 )
<b>NON-GAAP MEASUREMENT</b>	<b>\$ 4,813</b>	<b>\$ 1,028</b>	<b>\$ 231</b>	<b>\$ 404</b>	<b>\$ 22</b>	<b>\$ 549</b>	<b>\$ 704</b>	<b>\$ 348</b>	<b>\$ 3,286</b>

Year Ended December 31, 2014	Operating Income	Net Income	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share
GAAP Measurement	\$ 1,183	\$ 835	\$ 1.14	\$ 1.13
Less: Net effect from deferral of net revenues and related cost of sales <sup>(a)</sup>	215	136	0.19	0.18
Less: Stock-based compensation <sup>(b)</sup>	104	65	0.09	0.09
Less: Amortization of intangible assets <sup>(c)</sup>	12	8	0.01	0.01
	13	13	0.02	0.02

Less: Fees and other expenses related to the Vivendi Share Repurchase Transaction and related debt financings<sup>(d)</sup>

NON-GAAP MEASUREMENT	\$ 1,527	\$ 1,057	\$ 1.44	\$ 1.42
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*(a) Reflects the net change in deferred revenues and related cost of sales.*

*(b) Includes expense related to stock-based compensation.*

*(c) Reflects amortization of intangible assets from purchase price accounting.*

*(d) Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the Vivendi Share Repurchase Transaction and related debt financings.*

The Company calculates earnings per share pursuant to the two-class method which requires the allocation of net income between holders of our Common Stock and participating security holders. Net income attributable to holders of our Common Stock used to calculate non-GAAP earnings per common share assuming dilution was \$1,034 million for the year ended December 31, 2014 as compared to the total non-GAAP net income of \$1,057 million for the same period.

For the purpose of calculating earnings per share, we had, on a weighted-average basis, common shares outstanding of 716 million, participating securities of approximately 15 million, and dilutive shares of 10 million during the year ended December 31, 2014.

The per share adjustments are presented as calculated, and the GAAP and non-GAAP earnings per share information is also presented as calculated. The sum of these measures, as presented, may differ due to the impact of rounding.



[Back to Contents](#)**Reconciliation of GAAP Net Income to Non-GAAP Measures***(Amounts in millions, except earnings per share data)*

Year Ended December 31, 2013	Net Revenues	Cost of Sales - Product Costs	Cost of Sales - Online Subscriptions	Cost of Sales - Software Royalties and Amortization	Cost of Sales - Intellectual Property Licenses	Product Development	Sales and Marketing	General and Administrative	Total Costs and Expenses
GAAP Measurement	\$ 4,583	\$ 1,053	\$ 204	\$ 187	\$ 87	\$ 584	\$ 606	\$ 490	\$ 3,211
Less: Net effect from deferral of net revenues and related cost of sales <sup>(a)</sup>	(241 )	(10 )	-	2	(4 )	-	-	-	(12 )
Less: Stock-based compensation <sup>(b)</sup>	-	-	-	(17 )	-	(33 )	(7 )	(53 )	(110 )
Less: Amortization of intangible assets <sup>(c)</sup>	-	-	-	-	(23 )	-	-	-	(23 )
Less: Fees and other expenses related to the Vivendi Share Repurchase Transaction and related debt financings <sup>(d)</sup>	-	-	-	-	-	-	-	(79 )	(79 )
NON-GAAP MEASUREMENT	\$ 4,342	\$ 1,043	\$ 204	\$ 172	\$ 60	\$ 551	\$ 599	\$ 358	\$ 2,987

Year Ended December 31, 2013	Operating Income	Net Income	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share
GAAP Measurement	\$ 1,372	\$ 1,010	\$ 0.96	\$ 0.95
Less: Net effect from deferral of net revenues and related cost of sales <sup>(a)</sup>	(229 )	(150 )	(0.14 )	(0.14 )
Less: Stock-based compensation <sup>(b)</sup>	110	71	0.07	0.07
Less: Amortization of intangible assets <sup>(c)</sup>	23	14	0.01	0.01
Less: Fees and other expenses related to the Vivendi Share Repurchase Transaction and related debt financings <sup>(d)</sup>	79	54	0.05	0.05
NON-GAAP MEASUREMENT	\$ 1,355	\$ 999	\$ 0.95	\$ 0.94

*(a) Reflects the net change in deferred revenues and related cost of sales.**(b) Includes expense related to stock-based compensation.**(c) Reflects amortization of intangible assets from purchase price accounting.**(d) Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the Vivendi Share Repurchase Transaction and related debt financings.*

The Company calculates earnings per share pursuant to the two-class method which requires the allocation of net income between holders of our Common Stock and participating security holders. Net income attributable to holders of our Common Stock used to calculate non-GAAP earnings per common share assuming dilution was \$976 million for the year ended December 31, 2013 as compared to the total non-GAAP net income of \$999 million for the same period.

For the purpose of calculating earnings per share, we had, on a weighted-average basis, common shares outstanding of 1,024 million, participating securities of approximately 24 million, and dilutive shares of 11 million during the year ended December 31, 2013.

The per share adjustments are presented as calculated, and the GAAP and non-GAAP earnings per share information is also presented as calculated. The sum of these measures, as presented, may differ due to the impact of rounding.

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[Back to Contents](#)**Reconciliation of GAAP and Non-GAAP Net Revenues by Distribution Channel***(Amounts in millions)*

	Year Ended				\$	% Increase	(Decrease)	(Decrease)		
	December 31, 2014								December 31, 2013	
	Amount	% of Total <sup>(1)</sup>							Amount	% of Total <sup>(1)</sup>
<b>GAAP Net Revenues by Distribution Channel</b>										
Retail channel	\$2,104	48	%	\$2,701	59	%	\$ (597 )	(22 )%		
Digital online channels <sup>(2)</sup>	1,897	43		1,559	34		338	22		
Total Activision and Blizzard	4,001	91		4,260	93		(259 )	(6 )		
Distribution	407	9		323	7		84	26		
<b>TOTAL CONSOLIDATED GAAP NET REVENUES</b>	<b>4,408</b>	<b>100</b>		<b>4,583</b>	<b>100</b>		<b>(175 )</b>	<b>(4 )</b>		
<b>Change in Deferred Net Revenues<sup>(3)</sup></b>										
Retail channel	104			(247 )						
Digital online channels <sup>(2)</sup>	301			6						
<b>TOTAL CHANGES IN DEFERRED NET REVENUES</b>	<b>405</b>			<b>(241 )</b>						
<b>Non-GAAP Net Revenues by Distribution Channel</b>										
Retail channel	2,208	46		2,454	57		(246 )	(10 )		
Digital online channels <sup>(2)</sup>	2,198	46		1,565	36		633	40		
Total Activision and Blizzard	4,406	92		4,019	93		387	10		
Distribution	407	8		323	7		84	26		
<b>TOTAL NON-GAAP NET REVENUES<sup>(4)</sup></b>	<b>\$4,813</b>	<b>100</b>	<b>%</b>	<b>\$4,342</b>	<b>100</b>	<b>%</b>	<b>\$ 471</b>	<b>11 %</b>		

(1) *The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due of the impact of rounding.*

(2) *Net revenues from digital online channels represent revenues from subscriptions, licensing royalties, value-added services, downloadable content, digitally distributed products, and wireless devices.*

(3) *We provide net revenues including (in accordance with GAAP) and excluding (non-GAAP) the impact of changes in deferred net revenues.*

(4) *Total non-GAAP net revenues presented also represent our total operating segment net revenues.*

[Back to Contents](#)**Reconciliation of Operating Segments and Consolidated Net Revenues and Income from Operations***(Amounts in millions)*

	Year Ended				\$	%
	December 31, 2014	December 31, 2013				
	Amount	% of Total <sup>(1)</sup>	Amount	% of Total <sup>(1)</sup>	(Decrease)	(Decrease)
Segment net revenues:						
Activision Publishing <sup>(2)</sup>	\$2,686	56 %	\$2,895	67 %	\$ (209 )	(7 )%
Blizzard Entertainment <sup>(3)</sup>	1,720	36	1,124	26	596	53
Activision Blizzard Distribution <sup>(4)</sup>	407	8	323	7	84	26
Operating segment total	4,813	100 %	4,342	100 %	471	11
Reconciliation to consolidated net revenues:						
Net effect from deferral of net revenues	(405 )		241			
CONSOLIDATED NET REVENUES	\$4,408		\$4,583		\$ (175 )	(4 )%
Segment income from operations:						
Activision Publishing <sup>(2)</sup>	\$762		\$971		\$ (209 )	(22 )%
Blizzard Entertainment <sup>(3)</sup>	756		376		380	101
Activision Blizzard Distribution <sup>(4)</sup>	9		8		1	13
Operating segment total	1,527		1,355		172	13
Reconciliation to consolidated operating income and consolidated income before income tax expense:						
Net effect from deferral of net revenues and related cost of sales	(215 )		229			
Stock-based compensation expense	(104 )		(110 )			
Amortization of intangible assets	(12 )		(23 )			
Fees and other expenses related to the Vivendi Share Repurchase Transaction and related debt financings <sup>(5)</sup>	(13 )		(79 )			
Consolidated operating income	1,183		1,372		(189 )	(14 )
Investment and other income (expense), net	(202 )		(53 )			
CONSOLIDATED INCOME BEFORE INCOME TAX EXPENSE	\$981		\$1,319		\$ (338 )	(26 )%
Operating margin from total operating segments	31.7 %		31.2 %			

(1) The percentages of total are presented as calculated. Therefore the sum of these percentages, as presented, may differ due to the impact of rounding.

(2) Activision Publishing publishes interactive entertainment products and contents.

(3) Blizzard Entertainment publishes PC games and online subscription-based games in the MMORPG category.

(4) Activision Blizzard Distribution distributes interactive entertainment software and hardware products.

(5) Reflects fees and other expenses (including legal fees, costs, expenses and accruals) related to the Vivendi Share Repurchase Transaction and related debt financings.

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