Activision Blizzard, Inc.
Form DEF 14A
November 16, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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3100 Ocean Park Boulevard
Santa Monica, California 90405

November 19, 2009

Notice of Meeting of Stockholders

Dear Stockholder:

You are cordially invited to attend a Meeting of Stockholders of Activision Blizzard, Inc. (the "Company"). The meeting will be held on Thursday, December 17, 2009, beginning at 9:30 a.m., Pacific Standard Time, at the corporate offices of Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California, 90405.

Information about the meeting and the matter on which stockholders will act is included in the accompanying proxy statement.

During the Stockholders' Meeting, we will ask our stockholders to approve our 2008 Incentive Plan, as amended and restated to increase the maximum number of shares of the Company's common stock authorized for issuance pursuant to awards granted under the plan and the maximum number of shares that may be issued pursuant to certain types of awards under the plan.

The Board of Directors of Activision Blizzard, Inc. has fixed November 5, 2009 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the Stockholders' Meeting.

It is important that your shares be represented at the Stockholders' Meeting. Whether or not you plan to attend the 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 the proxy statement. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time.

Sincerely,

Robert A. Kotick
President and Chief Executive Officer

**** Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on Thursday, December 17, 2009 ****

The proxy statement is available at: ***http://www.cstproxy.com/activision/sm2009***

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TO BE HELD ON DECEMBER 17, 2009

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PROXY STATEMENT

MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 17, 2009

GENERAL

This proxy statement is furnished in connection with the solicitation by the Board of Directors ("Board") of Activision Blizzard, Inc., a Delaware corporation, of proxies from holders of our issued and outstanding shares of common stock, par value $0.000001 per share ("Common Stock"). The proxies being solicited will be used at the meeting of our stockholders to be held on Thursday, December 17, 2009, at the corporate offices of Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California, 90405, at 9:30 a.m., Pacific Standard Time, and at any adjournment or postponement of such meeting (the "Stockholders' Meeting"). We will be mailing paper copies of this proxy statement to stockholders on or about November 19, 2009. All references to "we," "us," "our," and "Activision Blizzard" in this proxy statement mean Activision Blizzard, Inc.

On July 9, 2008, a business combination (the "Combination") by and among Activision, Inc., Sego Merger Corporation, a wholly owned subsidiary of Activision, Inc., Vivendi S.A. ("Vivendi"), VGAC LLC, a wholly owned subsidiary of Vivendi ("VGAC"), and Vivendi Games, Inc. ("Vivendi Games"), a wholly owned subsidiary of VGAC, was consummated. For additional information, please refer to footnote 1 to the financial statements included in our Form 10-K for the year ended December 31, 2008, which is hereby incorporated by reference herein. In connection with the consummation of the Combination, Activision, Inc. was renamed Activision Blizzard, Inc. and we changed our fiscal year end from March 31st to December 31st. For accounting purposes, the Combination is treated as a "reverse acquisition," with Vivendi Games deemed to be the acquirer. As a result of the reverse acquisition accounting, our financial statements for the year ended December 31, 2008 cover the full calendar year from January 1, 2008 to December 31, 2008. (Please refer to our Form 10-K for the year ended December 31, 2008 for more information). However, much of the information contained in this proxy statement, including compensation related disclosure, covers the nine month period from April 1, 2008 (the first day of Activision, Inc.'s fiscal year that began prior to consummation of the Combination) to December 31, 2008.

PROCEDURAL MATTERS

Record Date and Quorum

Stockholders of record at the close of business on November 5, 2009 are entitled to notice of, and to vote at, the Stockholders' Meeting. There were 1,268,317,430 shares of our Common Stock outstanding and entitled to vote on the record date. Each such share of our Common Stock is entitled to one vote on the matter presented for action at the Stockholders' Meeting. A majority of the outstanding shares of our Common Stock entitled to vote at the meeting must be present in person or by proxy at the Stockholders' Meeting in order for a quorum to be present. Proxies representing abstentions will be included for purposes of determining whether a quorum is present at the Stockholders' Meeting, but proxies representing "broker non-votes" will not be included. A "broker non-vote" occurs when a broker, bank or other nominee who holds shares for a beneficial owner to be represented at a meeting does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power with respect to that item and has not received instructions from such beneficial owner.

Required Votes

You may vote "for" or "against," or "abstain" from voting, with respect to the proposal to approve our 2008 Incentive Plan (the "2008 Plan"), as amended and restated to increase the maximum number of shares of our Common Stock reserved for issuance under the 2008 Plan and the maximum number of shares that may be issued pursuant to certain types of awards granted under the 2008 Plan.

Adoption of this proposal requires the affirmative vote of a majority in interest of the stockholders present in person or represented by proxy and entitled to vote at the Stockholders' Meeting. Accordingly, shares not present and any broker non-votes will not have any effect on the voting outcome with respect to the proposal. Shares present but not voted (either because of an express abstention or because such vote is otherwise not cast) will have the same effect as a vote "against" the proposal. Stockholders have no dissenters' rights or rights of appraisal under Delaware law or our Certificate of Incorporation or Bylaws in connection with the proposal.

As approval of the 2008 Plan is a "non-routine" proposal, if you hold your shares in street name and do not give your broker, bank or other nominee instructions as to how to vote your shares with respect to the proposal, your broker, bank or other nominee may not have authority to vote your shares, resulting in a broker non-vote with respect to such proposal. Broker non-votes will not count as voted on the proposal, or as present or represented at the meeting, and so will have no effect on the vote.

Proxies

Whether or not you are able to attend the Stockholders' Meeting, you are urged to vote your shares by proxy. Stockholders of record may vote online at *www.continentalstock.com*, by calling (866) 894-0537 or by completing and mailing the proxy card enclosed herewith. If you are a stockholder of record and you choose to vote by mail, please complete, sign and date the proxy card as soon as possible. If you hold shares in street name through a broker, bank or other nominee, your broker, bank or other nominee will send you separate instructions describing the procedure for voting your shares.

The shares of Common Stock represented by all valid proxies we receive prior to the Stockholders' Meeting which are not properly revoked prior to being voted at the Stockholders' Meeting will be voted at the Stockholders' Meeting as directed. If no directions are specified, such proxies will be voted FOR the approval of the 2008 Plan, increasing the maximum number of shares of our Common Stock reserved for issuance under the 2008 Plan and the maximum number of shares that may be issued pursuant to certain types of awards granted under the 2008 Plan. Any stockholder may revoke or change such stockholder's proxy at any time before the proxy is voted at the Stockholders' 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 Stockholders' Meeting.

Attending and Voting at the Stockholders' 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 Stockholders' Meeting. In addition, if you are a stockholder of record, your ownership as of the record date will be verified by reference to our records prior to admittance into the Stockholders' 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 other procedures outlined above, you may not be admitted to the Stockholders' Meeting. Directions to the Stockholders' Meeting can be obtained by contacting our Investor Relations department by calling (310) 255-2000 or by emailing *ir@activision.com.*

Stockholders of record who wish to vote in person at the Stockholders' Meeting must request a ballot at the meeting. Street-name holders who wish to vote in person at the Stockholders' Meeting will need to obtain a proxy from the broker, bank or other nominee that holds their shares of record.

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Costs of Proxy Solicitation

We will bear the entire cost of this proxy solicitation, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card, and any additional solicitation materials we send to stockholders. We may reimburse brokerage firms and other persons representing beneficial owners of our Common Stock for their expenses in forwarding the proxy materials to such beneficial owners. In addition, proxies may be solicited, personally or by telephone, by our directors, officers and regular employees without additional compensation.

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PROPOSAL
APPROVAL OF THE 2008 INCENTIVE PLAN, AS AMENDED AND RESTATED TO INCREASE THE NUMBER OF SHARES RESERVED FOR ISSUANCE UNDER THE 2008 PLAN AND THE NUMBER OF SHARES THAT MAY BE GRANTED PURSUANT TO CERTAIN TYPES OF AWARDS UNDER THE 2008 PLAN

General

The Activision Blizzard Inc. 2008 Incentive Plan was adopted by our Board on July 28, 2008, approved by our stockholders and amended and restated by our Board on September 24, 2008, and amended and restated by our Board with stockholder approval on June 5, 2009 (as so amended and restated, the "2008 Plan"). The 2008 Plan authorizes the Compensation Committee of our Board to grant equity- and cash-based compensation for the purpose of providing incentives and rewards for performance to the directors, officers and other employees of, and consultants to, Activision Blizzard and our subsidiaries. On November 3, 2009, the Compensation Committee of our Board adopted, subject to stockholder approval, the amendment to the 2008 Plan described below.

Proposed Amendment

The changes implemented by the proposed amendment of the 2008 Plan are as follows:

- to increase the maximum number of shares of our Common Stock issuable thereunder by 14,000,000 shares (such additional 14,000,000 shares, the "Proposed Additional Shares"); and
- to increase the limit on the number of shares of our Common Stock that may be issued thereunder pursuant to the following types of awards as follows:
  - incentive stock options by 14,000,000 shares;
  - awards other than options or share appreciation rights ("SARs") by 7,000,000 shares; and
  - custom awards granted under Section 10 of the plan (*i.e.*, awards not explicitly contemplated by the 2008 Plan that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of our Common Stock or factors that may influence the value of our Common Stock or that are valued based on the performance of Activision Blizzard or any of our subsidiaries or business units or factors designated by the Compensation Committee) by 2,800,000 shares.

As of October 15, 2009, approximately 8,215,083 shares of our Common Stock remain available for issuance under the 2008 Plan (which, for the sake of clarity, does not include the Proposed Additional Shares), which available balance was reduced by 6,229,024 shares following the grant of awards to our employees that were approved by the Compensation Committee on November 3, 2009, as discussed below. Accordingly, if this proposal is not approved by our stockholders, we believe that the remaining number of shares available under the 2008 Plan may not be sufficient to satisfy awards anticipated to be made prior to our 2010 annual stockholders' meeting. The board believes that the 2008 Plan has been of substantial benefit to Activision Blizzard and our stockholders and that the inability to make awards under the 2008 Plan would deprive us of a valuable employee attraction, incentive and retention tool. We believe that, if this proposal is approved by our stockholders, we should have sufficient flexibility under the 2008 Plan to meet any attraction, incentive and retention compensation needs that may arise prior to our 2010 annual stockholders' meeting, at which time future needs may be addressed.

Reasons for Stockholder Approval

Stockholder approval of the amendment to the 2008 Plan is necessary in order for us to meet the stockholder approval requirements of the NASDAQ Stock Market ("NASDAQ"). If our stockholders

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do not approve the amendment to the 2008 Plan, the 2008 Plan will not be amended and any future awards under the 2008 Plan will be made under the terms of the 2008 Plan that are currently in effect, for so long as available shares remain.

Summary of the 2008 Plan, as Proposed to be Amended

The following summary of the principal terms and provisions of the 2008 Plan as proposed to be amended is qualified in its entirety by the terms of the 2008 Plan, which is included as Appendix A attached to this proxy statement and incorporated herein by reference.

Shares Available Under the 2008 Plan

On October 15, 2009, we had 8,215,083 shares of our Common Stock reserved for future issuance under the 2008 Plan (which, for the sake of clarity, does not include the Proposed Additional Shares), subject to adjustment as provided in the 2008 Plan in the event of stock splits, stock dividends, the issuance of rights and certain other events. The NASDAQ Official Closing Price of our Common Stock on October 15, 2009 was $12.51 per share. As described above, on November 3, 2009, the Compensation Committee of our Board adopted, subject to stockholder approval, the amendment described herein increasing the maximum number of shares of our Common Stock reserved for issuance under the 2008 Plan by 14,000,000 shares.

The number of shares reserved for issuance under the 2008 Plan may be further increased from time to time by:

- the number of shares relating to awards outstanding under the Prior Plans at October 15, 2009 that:
  - expire, or are forfeited, terminated or cancelled, without the issuance of shares;
  - are settled in cash in lieu of shares; or
  - are exchanged, prior to the issuance of shares of our Common Stock, for awards not involving our Common Stock; and
- if the exercise price of any option outstanding under any Prior Plan at September 24, 2008 is, or the tax withholding requirements with respect to any award outstanding under any Prior Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to us of shares already owned, the number of shares equal to the withheld or transferred shares.

"Prior Plans" means the following equity incentive plans: (1) the Activision, Inc. 1998 Incentive Plan, as amended; (2) the Activision, Inc. 1999 Incentive Plan, as amended (the "1999 Plan"); (3) the Activision, Inc. 2001 Incentive Plan, as amended; (4) the Activision, Inc. 2002 Incentive Plan, as amended (the "2002 Plan"); (5) the Activision, Inc. 2002 Executive Incentive Plan, as amended; (6) the Activision, Inc. 2002 Studio Employee Retention Incentive Plan, as amended (the "2002 Studio Plan"); (7) the Activision, Inc. 2003 Incentive Plan, as amended (the "2003 Plan"); and (8) the Activision, Inc. 2007 Incentive Plan (the "2007 Plan"). At the time the 2008 Plan was approved by our stockholders on September 24, 2008, there were 87,899,042 shares subject to awards outstanding under the Prior Plans that potentially could become available for awards under the 2008 Plan. On September 24, 2008, the effective date of the 2008 Plan, we ceased to grant awards under the Prior Plans, although such plans remain in effect and continue to govern outstanding awards.

Under the 2008 Plan:

- shares relating to awards that expire, or are forfeited, terminated or cancelled, without the issuance of shares, awards that are settled in cash in lieu of shares and awards that are

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exchanged, with the Compensation Committee's permission, prior to the issuance of shares of our Common Stock, for awards not involving our Common Stock, will again be available for issuance or transfer under the 2008 Plan;

if the exercise price of any option is, or the tax withholding requirements with respect to any award granted under the 2008 Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to us of shares already owned, a number of shares equal to the withheld or transferred shares will again be available for issuance or transfer under the 2008 Plan; and

if a SAR is exercised and settled in shares, a 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 will again be available for issuance or transfer under the 2008 Plan, with the result being that only the number of shares actually issued or transferred upon exercise of the SAR are counted against the maximum number of shares of our Common Stock available for issuance or transfer under the 2008 Plan.

Shares utilized under the 2008 Plan may be newly issued shares, treasury shares or a combination of the foregoing.

The 2008 Plan contains the following aggregate and individual annual grant limitations:

Limits on ISOs. Assuming this proposal is approved at the Stockholders' Meeting, the number of shares that we may issue or transfer upon the exercise of incentive stock options ("ISOs") may not exceed 28,878,935 (which equals the number of shares available for grant under the 2007 Plan at the time the 2008 Plan was approved by stockholders, plus 14,000,000 shares) in the aggregate;

Limits on Awards Other than Options and SARs. Assuming this proposal is approved at the Stockholders' Meeting, the number of shares that we may issue or transfer as or pursuant to awards other than options or SARs may not exceed 22,000,000 in the aggregate, including no more than 8,800,000 in the aggregate as or pursuant to custom awards (*i.e.*, awards not explicitly contemplated by the 2008 Plan that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of our Common Stock or factors that may influence the value of our Common Stock or that are valued based on the performance of Activision Blizzard or any of our subsidiaries or business units or factors designated by the Compensation Committee);

Limits on Options and SARs. The number of shares issuable or transferable in respect of options and SARs granted to any one participant in a single fiscal year may not exceed 4,000,000 in the aggregate;

Limits on Restricted Shares and Restricted Share Units. The number of (1) restricted shares granted to any one participant in a single fiscal year and (2) shares issuable or transferable in respect of restricted share units granted to such participant in such year, may not exceed 2,000,000 in the aggregate;

Limits on Performance Shares. The number of performance shares granted to any one participant in a single fiscal year may not exceed 3,000,000 in the aggregate;

Limits on Performance Units. The value of performance units granted to any one participant in a single fiscal year may not exceed $2 million in the aggregate (with the value of any such grant to be determined as of the date of such grant);

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Limits on Incentive Bonuses. The amount of any senior executive plan bonuses paid under the 2008 Plan to any one participant for a single fiscal year may not exceed $6 million in the aggregate; and

Limits on Custom Awards. The number of shares issuable or transferable in respect of custom awards granted to any one participant in a single fiscal year may not exceed 3,000,000 in the aggregate and the value of any custom award that does not involve the issuance or transfer of shares may not exceed $2 million in the aggregate (with the value of any such award to be determined as of the date of such award).

Eligibility

Directors, officers and other employees of, and consultants to, Activision Blizzard and our subsidiaries are eligible to participate in the 2008 Plan. As of October 15, 2009, approximately 7,300 individuals were considered eligible to be selected by the Compensation Committee to receive awards under the 2008 Plan, including 10 directors (not counting Robert A. Kotick, who is also an executive officer of Activision Blizzard) and 6 executive officers.

Types of Awards Authorized

The 2008 Plan provides for the granting of stock options, SARs (both freestanding SARs and SARs granted in tandem with stock options), restricted shares, restricted share units, performance shares, performance units, dividend equivalents and custom awards. Awards granted under the 2008 Plan will be upon such terms as may be approved by the Compensation Committee and set forth in an award agreement or other evidence of an award, provided that (a) the exercise price per share of stock options, and the price per share of freestanding SARs, granted under the 2008 Plan will be not less than the "market value per share" (defined as (i) the closing price per share of Common Stock as reported on the principal securities exchange, association or quotation system on which the Common Stock is then listed or quoted, or (ii) if clause (i) does not apply, the fair market value of a share of Common Stock as determined by the Compensation Committee), and (b) no stock option or freestanding SAR granted under the 2008 Plan may be exercised more than 10 years from the date of grant. An award will contain such terms and provisions, consistent with the 2008 Plan, as the Compensation Committee may approve, including provisions for the acceleration of vesting or the lapse, expiration or termination of restrictions or other conditions upon the occurrence of certain events, including change of control events.

The 2008 Plan also provides that the Compensation Committee may from time to time authorize payment of a senior executive plan bonus to a participant who is, or is determined by the Compensation Committee to be likely to become, a "covered employee" within the meaning of Section 162(m) of the Internal Revenue Code, as amended (the "Internal Revenue Code") (generally, the chief executive officer and the three other highest paid officers other than the chief financial officer), which incentive compensation will become payable upon the achievement of specified management objectives, as described below. Such bonuses will be payable upon such terms and conditions as the Compensation Committee may determine in accordance with the terms of the 2008 Plan. The payment of such a bonus under the 2008 Plan that becomes payable to a participant may be made in cash, in shares of our Common Stock or a combination thereof, as determined by the Compensation Committee.

Management Objectives

The 2008 Plan contemplates that the Compensation Committee will establish "management objectives" for purposes of any grants of performance shares, performance units or incentive bonuses. Under the 2008 Plan, the Compensation Committee may also establish management objectives in

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connection with grants of stock options, SARs, restricted shares, restricted share units, dividend credits and custom awards. For example, the Compensation Committee may specify management objectives that must be achieved as a condition to exercising options or SARs or to result in termination or early termination of the restrictions applicable to restricted shares or restricted share units.

Subject to the limits described below, management objectives may be described in terms of either Activision Blizzard-wide objectives or objectives that are related to the performance of the individual participant or a subsidiary, division, department, region or function. The Compensation Committee may provide, in connection with the setting of management objectives, that any evaluation of performance may include or exclude certain items, including, without limitation, asset write downs, litigation or claim judgments or settlements, the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results, any reorganization and restructuring programs, extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in our annual report on Form 10-K for the applicable year, acquisitions or divestitures and foreign exchange gains and losses. To the extent such inclusions or exclusions affect the awards to covered employees within the meaning of Section 162(m) of the Internal Revenue Code, they will be prescribed in a form that meets the requirements of Section 162(m) of the Internal Revenue Code for deductibility.

Management objectives applicable to any award to a participant who is, or is determined by the Compensation Committee to be likely to become, a covered employee within the meaning of Section 162(m) of the Internal Revenue Code, will be limited to measurable and specified levels of performance or relative peer company performance in any one or more of the following objectives, or any combination thereof, as determined by the Compensation Committee in its sole discretion: adjusted net earnings; appreciation in and/or maintenance of the price of our Common Stock (or any other publicly traded securities of Activision Blizzard), including, without limitation, comparisons with various stock market indices; attainment of strategic and operational initiatives; budget; cash flow (including, without limitation, free cash flow); cost of capital; cost reduction; earnings and earnings growth (including, without limitation, earnings per share, earning before taxes, earnings before interest and taxes and earnings before interest, taxes, depreciation and amortization); market share; market value added; net income; net sales; operating profit and operating income; pretax income before allocation of corporate overhead and bonus; quality; recruitment and development of associates; maintenance of internal control over financial reporting and corporate governance practices; reductions in costs; return on assets and return on net assets; return on equity; return on invested capital; sales and sales growth; successful acquisition/divestiture; and total stockholder return and improvement of stockholder return.

If the Compensation Committee determines that a change in our business, operations, corporate structure or capital structure, or the manner in which we conduct our business, or other events or circumstances, render previously established management objectives unsuitable, the Compensation Committee may in its discretion modify such management objectives or the minimum acceptable level of achievement, in whole or in part, as the Compensation Committee deems appropriate and equitable, except in the case of a covered employee where such action would result in the loss of the otherwise available exemption under Section 162(m) of the Internal Revenue Code. In such case, the Compensation Committee may not make any modification of the management objectives or minimum acceptable level of achievement with respect to such covered employee.

Administration and Amendments

The 2008 Plan is administered by the Compensation Committee. The Compensation Committee has sole discretion to interpret any provision of the 2008 Plan or an award thereunder, make any determination necessary or advisable for the administration of the 2008 Plan and awards thereunder, and waive any condition or right of ours under an award or discontinue or terminate an award. Without intending to limit the generality or effect of the foregoing, any decision or determination made

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by the Compensation Committee with respect to the 2008 Plan or an award thereunder will be made by the Compensation Committee in its sole and absolute discretion, subject to the terms of the 2008 Plan. The interpretation and construction by the Compensation Committee of any provision of the 2008 Plan or of any award, and any determination by the Compensation Committee pursuant to any provision of the 2008 Plan or of any such award, will be final and conclusive.

The Compensation Committee may amend the 2008 Plan from time to time without further approval by stockholders, except where the amendment must be approved by stockholders in order to comply with applicable legal requirements or the requirements of the principal securities exchange, association or quotation system on which our Common Stock is listed or quoted (currently, NASDAQ). Without intending to limit the generality or effect of the foregoing, if an amendment to the 2008 Plan would increase the number of shares of our Common Stock that may be issued or transferred upon the exercise of ISOs, then such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained.

Subject to the foregoing, the Compensation Committee may amend the terms of any award granted under the 2008 Plan prospectively or retroactively, except in the case of a covered employee where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Internal Revenue Code. No amendment to any award may materially and adversely affect the rights of any participant taken as a whole without his or her consent.

Change of Control

Awards under the 2008 Plan may provide that, upon a change of control of Activision Blizzard, such awards will become vested or earned, in whole or in part. For example, an award of options or SARs may provide that unvested options or SARs will become vested and immediately exercisable, either in whole or in part, upon a change of control. Similarly, awards of restricted shares, restricted share units, performance shares and performance units, custom awards and incentive bonuses may provide that the restrictions or other conditions prescribed by the Compensation Committee, if any, with respect thereto will automatically lapse, expire and terminate, and such awards will be deemed to be earned, in whole or in part, upon a change of control.

Transferability

The 2008 Plan expressly provides that, with our consent, which may be granted or withheld in our sole and absolute discretion, a participant may transfer an award for estate planning purposes or pursuant to a domestic relations order, provided the transferee executes an agreement, in form satisfactory to us, to be bound by the terms and conditions of the 2008 Plan and the award being transferred. Unless otherwise permitted by the Compensation Committee, except as described in the immediately preceding sentence (1) no award or other derivative security granted under the 2008 Plan is transferable by a participant except, upon death, by will or the laws of descent and distribution and (2) stock options and SARs are exercisable during the optionee's lifetime only by him or her or by his or her guardian or legal representative.

Adjustments

The number of shares authorized under the 2008 Plan, the number of, and, if applicable, amounts payable for, shares subject to outstanding awards and the various limits contained in the 2008 Plan will be adjusted in the event of stock dividends, extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, spin-offs, split-offs, spin-outs, split-ups, reorganizations, liquidations, issuances of rights or warrants, and similar events. In the event of any such transaction or event or in the event of a change of control, the Compensation Committee, in its discretion, may provide in substitution for any or all outstanding awards under the 2008 Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable in the circumstances and may require the surrender of all awards so replaced. The Compensation Committee will also make or provide for such adjustments in the number of shares available under the 2008 Plan and the other limitations contained in the 2008 Plan as is appropriate to reflect any transaction or event described above. The 2008 Plan also provides that, without limiting the generality of the foregoing, in the event that we issue warrants or other rights to acquire common shares on a pro-rata basis to all stockholders, the Compensation Committee will make such adjustments in the number of shares authorized under the 2008 Plan and in the limits contained in the 2008 Plan as it may determine to be equitable, including proportionately increasing the number of authorized shares or any such limit.

Withholding Taxes

To the extent that we or any of our subsidiaries is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a participant or other person under the 2008 Plan and the amounts available to us or our subsidiary for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the participant or such other person make arrangements satisfactory to us for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Compensation Committee) may include relinquishment of a portion of such benefit.

Termination

No award will be made under the 2008 Plan after September 24, 2018, but all awards made on or prior to September 24, 2018 will continue in effect thereafter subject to the terms of such awards and of the 2008 Plan.

Federal Income Tax Consequences

The following discussion of the principal U.S. federal income tax consequences with respect to awards under the 2008 Plan is based on statutory authority and judicial and administrative interpretations as of the date of this proxy statement, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. Therefore, the following discussion is designed to provide a general understanding of the federal income tax consequences (state, local and other tax consequences are not addressed below). *This discussion assumes that awards granted under the 2008 Plan are exempt from, or comply with, the provisions of Section 409A of the Internal Revenue Code. This discussion is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the U.S. The U.S. federal income tax law is technical and complex and the discussion below represents only a general summary.*

Non-Qualified Stock Options

In general, no income will be recognized by an optionee at the time a non-qualified stock option is granted. At the time of exercise of a non-qualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the exercise price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise. At the time of sale of shares acquired pursuant to the exercise of a non-qualified stock option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

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Incentive Stock Options

No income generally will be recognized by an optionee upon the grant or exercise of an ISO. The exercise of an ISO, however, may result in alternative minimum tax liability. If shares are issued to the optionee pursuant to the exercise of an ISO and no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares any amount realized in excess of the exercise price will be taxed to the optionee as a capital gain and any loss sustained will be a capital loss. If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the exercise price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as capital gain (or loss).

Stock Appreciation Rights

Generally, no income will be recognized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares received on the exercise.

Restricted Shares

A recipient of restricted shares generally will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the participant for such restricted shares) at such time as the shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Internal Revenue Code. However, a recipient who makes an election under Section 83(b) of the Internal Revenue Code within 30 days of the date of grant of the shares will have taxable ordinary income on the date of grant of the shares equal to the excess of the fair market value of such shares (determined without regard to the restrictions) over the purchase price, if any, of such restricted shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject to the restrictions generally will be treated as compensation that is taxable as ordinary income to the participant.

Restricted Share Units

No income generally will be recognized upon the award of restricted share units. The recipient of a restricted share unit award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted shares on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such restricted share units), and the capital gains/loss holding period for such shares will also commence on such date.

Performance Shares and Performance Units

No income generally will be recognized upon the grant of performance shares or performance units. Upon payment in respect of the earn-out of performance shares or performance units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

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Senior Executive Plan Bonuses

The participant generally will be required to include as ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any non-restricted shares of our Common Stock received as payment of a bonus.

Tax Consequences to Activision Blizzard or Subsidiary

To the extent that a participant recognizes ordinary income in the circumstances described above, we or the subsidiary of ours for which the participant performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code and is not disallowed by the $1 million limitation on certain compensation of covered employees under Section 162(m) of the Internal Revenue Code.

Section 409A of the Internal Revenue Code

To the extent that any award granted under the 2008 Plan constitutes a deferral of compensation within the meaning of Section 409A of the Internal Revenue Code, the Compensation Committee intends to cause the award to comply with the requirements of Section 409A. If an award does not comply with the requirements of Section 409A, penalty taxes and interest may be imposed on the participant receiving the award.

New Plan Benefits

Awards under the 2008 Plan are discretionary. As a consequence, other than amounts payable under our incentive plans, as discussed below in "Executive Compensation Compensation Discussion and Analysis," equity awards to unaffiliated directors, as discussed in "Director Compensation Equity Compensation and Stock Ownership Guidelines," and the annual equity grants approved by the Compensation Committee at its meeting on November 3, 2009, as set forth in the following sentence, we cannot currently determine the number or type of awards that may be granted in the future under the 2008 Plan. At its November 3, 2009 meeting, the Compensation Committee approved the following equity awards under the 2008 Plan (which grants are not yet effective as of the date of this proxy statement): options to purchase 200,000 shares of our Common Stock to Michael Morhaime; options to purchase 500,000 shares and 75,000 RSUs to our executive officers as a group (including Mr. Morhaime); and options to purchase 4,309,530 shares and 1,344,494 RSUs to our non-executive officer employees as a group. No awards were made to Mr. Kotick, Michael J. Griffith, Thomas Tippl, George L. Rose or Ann E. Weiser or to any of our non-executive directors.

Since the date the 2008 Plan was adopted through November 2, 2009: options to purchase 1,200,000 shares of our Common Stock, 80,000 performance shares and 150,000 restricted shares have been issued to Mr. Tippl; options to purchase an aggregate of 1,400,000 shares of our Common Stock, 150,000 restricted shares, 60,000 RSUs and 80,000 performance shares have been issued to all of our executive officers as a group (including Mr. Tippl); options to purchase an aggregate of 60,000 shares of our Common Stock and 50,000 RSUs have been issued to all of our non-executive directors as a group; and options to purchase an aggregate of 6,364,077 shares of our Common Stock and 1,955,661 RSUs have been issued to all of our non-executive officer employees as a group. No awards had been made to Messrs. Kotick, Griffith, Morhaime, Rose or Ms. Weiser.

Required Vote and Board Recommendation

The affirmative vote of a majority in interest of the stockholders present in person or represented by proxy and entitled to vote at the Stockholders' Meeting is required for the approval of this proposal.

The Board recommends that you vote FOR approval of the 2008 Plan.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information, as of October 15, 2009, with respect to shares of our Common Stock that may be issued under our existing equity compensation plans. For information regarding shares of our Common Stock that may be issued under our equity compensation plans as of December 31, 2008, please refer to our proxy statement filed with the SEC on April 22, 2009.

Plan Category	Number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted average exercise price of outstanding options, warrants and rights(2)	Number of shares of Common Stock remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders:			
Activision, Inc. 1998 Incentive Plan, as amended	327,983	3.14	(3)
Activision, Inc. 2001 Incentive Plan, as amended	2,921,392	4.96	(3)
Activision, Inc. 2002 Executive Incentive Plan	5,427,116	2.84	(3)
Activision, Inc. 2003 Incentive Plan	28,500,665	7.90	(3)
Activision, Inc. 2007 Incentive Plan	20,862,637	14.63	(3)
Activision Blizzard, Inc. 2008 Incentive Plan	9,661,558	11.29	8,215,083(4)
All stockholder approved plans	67,701,351	9.43	8,215,083
Equity compensation plans not approved by stockholders:			
Activision, Inc. 1999 Incentive Plan, as amended(5)	1,194,463	3.28	(3)
Activision, Inc. 2002 Incentive Plan, as amended(6)	8,892,278	4.26	(3)
Activision, Inc. 2002 Studio Employee Retention Incentive Plan(7)	458,156	2.90	(3)
Other Employee Stock Options	3,618,388(8)	1.03	
All non-stockholder approved plans	14,163,285	3.31	
Total	81,864,636	8.26	8,215,083

(1)

Reflects options to purchase shares of our Common Stock and, in the case of the 2003 Plan, the 2007 Plan and the 2008 Plan, 74,559 restricted share units, 5,492,593 restricted share units and 1,986,270 restricted share units, respectively, each reflecting the right to receive a share of Common Stock.

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

(3) Upon adoption of the 2008 Plan, pursuant to the terms thereof, we ceased making awards under each of the Prior Plans, although each Prior Plan remains in effect and continues to govern outstanding awards thereunder.

(4) The number of shares reserved for issuance under the 2008 Plan may be increased from time to time as described in "Proposal Approval to Increase the Number of Authorized Shares Under the 2008 Incentive Plan Summary of the 2008 Plan, as Proposed to be Amended Shares Available Under the 2008 Plan."

(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 share 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. Only non-qualified stock options have been granted under the 1999 Plan. All such options 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 acceleration 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.

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(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 share 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. Only non-qualified stock options have been granted under the 2002 Plan. All such options 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 acceleration if certain performance objectives are satisfied). The 2002 Plan expires on April 3, 2012; however, we ceased making awards under the 2002 Plan upon adoption of the 2007 Plan.

(7) On December 16, 2002, our Board approved the 2002 Studio Plan. The 2002 Studio Plan permitted the granting of non-qualified stock options and restricted share awards to our or our subsidiaries' and affiliates' key studio employees (other than executive officers and directors). Only non-qualified stock options have been granted under the 2002 Studio Plan. All such options 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 acceleration if certain performance objectives are satisfied). The 2002 Studio Plan expires on December 18, 2012; however, we ceased making awards under the 2002 Studio Plan upon adoption of the 2007 Plan.

(8) Options to purchase our Common Stock granted to Mr. Kotick, specifically: (a) options to purchase 4 shares of Common Stock at a price of $0.51 per share which expire on May 22, 2010, and (b) options to purchase 3,618,384 shares of Common Stock at a price of $1.03 per share which expire on April 18, 2010. All of these options were vested in full as of October 15, 2009.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of October 15, 2009 (unless otherwise noted), with respect to the beneficial ownership of our Common Stock by (1) each executive officer named in the "Summary Compensation Table" below (the "named executive officers"), (2) each director, (3) all current executive officers and directors as a group, and (4) each stockholder (including any "group" as that term is used in Section 13(d)(3) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")) that we know to be the beneficial owner of more than 5% of our Common Stock. 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 him or her.

	Shares of Activision Blizzard Beneficially Owned			
Beneficial Owner	**Shares Owned**	**Right to Acquire(1)**	**Total Shares Owned plus Right to Acquire**	**Percent of Outstanding Shares(2)**
Philippe G.H. Capron	7,000	0	7,000	*
Robert J. Corti	44,000(3)	317,780(4)	361,780	*
Frédéric R. Crépin	7,000	0	7,000	*
Michael J. Griffith	0	33,334(5)	33,334	*
Brian G. Kelly	1,176,484(6)	3,379,504(5)	4,555,988	*
Robert A. Kotick	3,970,486(7)	12,688,038(5)	16,658,524	1.30
Jean-Bernard Lévy	7,000	0	7,000	*
Robert J. Morgado	151,332	544,446(8)	695,778	*
Michael Morhaime	0	170,000(5)	170,000	*
Douglas P. Morris	10,000	0	10,000	*
George L. Rose	16,062	745,836(5)	761,898	*
Stéphane Roussel	0	5,000(9)	5,000	*
Richard Sarnoff	42,000	193,334(10)	235,334	*
Thomas Tippl(11)	370,005(12)	391,114(5)	761,119	*
Régis Turrini	0	5,000(9)	5,000	*
Ann E. Weiser	15,210	266,667(5)	281,667	*
All current directors and executive officers as a group (17 persons)	5,873,188(13)	19,220,053(14)	25,093,031	1.94
VGAC	718,643,890(15)		718,643,890	56.67
AXA Financial, Inc.	70,203,753(16)		70,203,753	5.54

(1) Consists of shares of Common Stock that may be acquired upon (a) the exercise of stock options that are exercisable on or within 60 days of October 15, 2009 or (b) the vesting of restricted share units that vest within 60 days of October 15, 2009.

(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 October 15, 2009 (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) 1,268,048,616, the total number of shares of our Common Stock outstanding on that date (including 214,474 restricted shares of Common Stock and 2,580,000 performance shares of Common Stock, all of which were issued and outstanding but subject to forfeiture on that date), 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 spouse, who share voting and investment power with respect to such shares.

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(4)

Consists of (a) options to purchase 312,780 shares of our Common Stock and (b) 5,000 restricted share units, each representing the conditional right to receive one share of our Common Stock.

(5)

Consists of options to purchase shares of our Common Stock.

(6)

Consists of (a) 1,066,884 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; (b) 100,000 shares of our Common Stock owned by Delmonte Investments, L.L.C., an entity controlled by Messrs. Kotick and Kelly; and (c) 9,600 shares held in UTMAs for the benefit of Mr. Kotick's minor children of which Mr. Kelly is the custodian, as to which Mr. Kelly disclaims beneficial ownership.

(7)

Consists of (a) 100,002 shares of our Common Stock owned directly by Delmonte Investments, L.L.C., an entity controlled by Messrs. Kotick and Kelly; (b) 2,500,000 performance shares of our Common Stock that were granted to Mr. Kotick on July 9, 2008 in connection with his employment agreement and which vest in accordance therewith; (c) 3,596 shares of our Common Stock held in the 10122N Trust, of which Mr. Kotick's spouse is trustee and beneficiary and as to which Mr. Kotick disclaims beneficial ownership; (d) 160,610 shares of our Common Stock held in the 10122CP Trust, of which Mr. Kotick and his spouse are joint trustees and joint beneficiaries; (e) 1,076,598 shares held in the 1011 Foundation, Inc., a charitable foundation of which Mr. Kotick is a trustee, as to which Mr. Kotick disclaims beneficial ownership; (f) 4,800 shares held in UTMA for the benefit of Mr. Kotick's minor relative of which Mr. Kotick is the custodian, as to which Mr. Kotick disclaims beneficial ownership; and (g) 124,880 shares held in the 10122B Trust, of which Mr. Kotick is the sole trustee and beneficiary.

(8)

Consists of (a) options to purchase 539,446 shares of our Common Stock and (b) 5,000 restricted share units, each representing the conditional right to receive one share of our Common Stock.

(9)

Consists of restricted share units, each representing the conditional right to receive one share of our Common Stock.

(10)

Consists of (a) options to purchase 188,334 shares of our Common Stock and (b) 5,000 restricted share units, each representing the conditional right to receive one share of our Common Stock.

(11)

Consists of equity held by the Thomas and Laura Tippl Family Trust. Thomas and Laura Tippl are co-trustees of such trust and share voting and investment power with respect thereto.

(12)

Includes (a) 64,474 restricted shares of our Common Stock, which will vest in full on October 3, 2010, (b) 150,000 restricted shares of our Common Stock, which will vest in five equal installments on each of February 15, 2010, February 15, 2011, February 15, 2012, February 15, 2013 and February 15, 2014, and (c) 80,000 performance shares of our Common Stock, which will vest in accordance with Mr. Tippl's employment agreement.

(13)

Includes shares of our Common Stock held indirectly by such individuals through trusts or other entities as described in footnotes (6), (7) and (11) above.

(14)

Consists of (a) options to purchase 19,195,053 shares of our Common Stock and (b) 25,000 restricted share units, each representing the conditional right to receive one share of our Common Stock.

(15)

VGAC is a wholly owned subsidiary of Vivendi. The address for VGAC and Vivendi is 42, avenue de Friedland, 75380 Paris cedex 08, France.

(16)

According to a Schedule 13G filed with the SEC on February 13, 2009, AXA Financial, Inc., AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA and their subsidiaries reported sole voting power over 54,841,919 shares of our Common Stock and sole dispositive power over 70,203,753 shares of our Common Stock as of December 31, 2008. The Schedule 13G

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reported that a majority of such shares are held by unaffiliated third-party client accounts managed by Alliance Bernstein L.P., as investment adviser and a majority-owned subsidiary of AXA Financial, Inc. The address for AXA Financial, Inc. is 1290 Avenue of the Americas, New York, NY 10104, for AXA Assurances I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle is 26, rue Drouot, 75009 Paris, France and for AXA is 25, avenue Matignon, 75008 Paris, France.

The following table sets forth information, as of October 15, 2009, with respect to the beneficial ownership of shares of Vivendi by (1) each of our named executive officers, (2) each director of Activision Blizzard, and (3) all current executive officers and directors of Activision Blizzard, 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 him or her.

	Shares of Vivendi Beneficially Owned			
Beneficial Owner	**Shares Owned**	**Right to Acquire(1)**	**Total Shares Owned plus Right to Acquire**	**Percent of Outstanding Shares(2)**
Philippe G. H. Capron	27,117(3)	22,028(4)	49,145	*
Robert J. Corti				
Frédéric R. Crépin	4,349(5)	126,727(6)	131,076	*
Michael J. Griffith				
Brian G. Kelly				
Robert A. Kotick				
Jean-Bernard Lévy	250,993(7)(8)	1,845,950(9)	2,096,943	*
Robert J. Morgado				
Michael Morhaime				
Douglas P. Morris	10,000	121,334(10)(11)	131,334	*
George L. Rose				
Stéphane Roussel	10,026(12)	129,656(13)	139,682	*
Richard Sarnoff				
Thomas Tippl				
Régis Turrini	13,494(14)	234,714(15)	248,208	*
Ann E. Weiser				
All current executive officers and directors as a group (16 persons)	315,979(16)	2,480,409	2,796,388	*

* Less than 1%.

(1) Consists of shares of Vivendi common stock that may be acquired upon (a) the exercise of stock options that are exercisable on or within 60 days of October 15, 2009 or (b) vesting and settlement of restricted share units that vest within 60 days of October 15, 2009, and/or shares held in the Vivendi Group Savings Plan. Shares held in the Vivendi Group Savings Plan are restricted and may not be withdrawn from the plan except in limited circumstances as determined under French law. For purposes of this table, the number of shares (rounded to the nearest whole share) attributable to the Vivendi Group Savings Plan is equal to (a) the person's outstanding balance under the plan as of October 15, 2009, divided by (b) €20.24 per share, which is the closing price of Vivendi's common stock as reported on the NYSE Euronext market as of October 15, 2009.

(2) Based on a total of 1,228,815,918 shares of record of Vivendi that were issued and outstanding on October 15, 2009.

(3) Includes 9,334 shares that are owned but that may not be sold or otherwise transferred until April 2011.

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(4) Consists of shares held in the Vivendi Group Savings Plan.

(5) Consists of 2,000 shares that are owned but that may not be sold or otherwise transferred until April 2010, 15 shares that are owned but that may not be sold or otherwise transferred until December 2010 and 2,334 shares that are owned but that may not be sold or otherwise transferred until April 2011.

(6) Consists of 2,727 shares held in the Vivendi Group Savings Plan and options to purchase 124,000 shares that are vested or will vest within 60 days of October 15, 2009.

(7) Includes 13,788 shares that are owned by Mr. Lévy's spouse and children, and from which Mr. Lévy disclaims all rights of ownership.

(8) Includes 30,000 shares that are owned but that may not be sold or otherwise transferred until April 2010 and 30,000 shares that are owned but that may not be sold or otherwise transferred until April 2011.

(9) Consists of 5,950 shares held in the Vivendi Group Savings Plan and vested options to purchase 1,840,000 shares.

(10) Includes vested options to purchase 37,333 shares.

(11) Includes options to purchase 74,667 shares, and 9,334 shares underlying performance-based RSUs, all of which will vest upon Mr. Morris's termination from Vivendi for any reason other than cause.

(12) Consists of 4,667 shares that are owned but that may not be sold or otherwise transferred until April 2010, 15 shares that are owned but that may not be sold or otherwise transferred until December 2010 and 4,667 shares that are owned but that may not be sold or otherwise transferred until April 2011.

(13) Consists of 3,656 shares held in the Vivendi Group Savings Plan and vested options to purchase 126,000 shares.

(14) Consists of 5,334 shares that are owned but that may not be sold or otherwise transferred until April 2010, 15 shares that are owned but that may not be sold or otherwise transferred until December 2010 and 5,334 shares that are owned but that may not be sold or otherwise transferred until April 2011.

(15) Consists of 10,714 shares held in the Vivendi Group Savings Plan, and vested options to purchase 224,000 shares.

(16) Includes shares disclaimed from ownership as described in footnote (7).

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EXECUTIVE COMPENSATION

The following discussion and tables set forth information with regard to compensation for services rendered in all capacities to us and our subsidiaries during the nine month period ended December 31, 2008 by the named executive officers included in the "Summary Compensation Table" below. Compensation for services rendered to Vivendi Games prior to the consummation of the Combination is not considered to be compensation for services rendered to us or our subsidiaries and therefore is not reflected in the following discussion and tables.

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. This section:

- describes the business environment in which we operate and the resulting requirements for talent;
- summarizes our compensation philosophy and objectives;
- outlines our decision-making approach related to executive compensation; and
- describes the elements and rationale behind our compensation programs for the nine month period ended December 31, 2008 as well as planned refinements for the calendar year ending December 31, 2009.

This section also briefly describes certain changes to our compensation arrangements that occurred after December 31, 2008 and prior to filing of this proxy statement. See " Recent Events" below.

Business Environment and Associated Talent Requirements

We operate in the entertainment software industry, which sits at the convergence of the entertainment, media, high-technology and consumer products sectors. Our industry features a number of characteristics, including:

- a high-growth, high-risk environment relative to more mature industries;
- a dependence on "hit titles," which constitute 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 customer and end-user demographic with a number of distribution channels.

The recent economic downturn had limited impact on our compensation decisions for the nine month period ended December 31, 2008 because of our strong financial performance during that period, our continuous commitment to managing costs and overhead aggressively, and the timing of compensation decisions. As discussed further below, the continued adverse economic conditions were considered in connection with setting 2009 compensation. For example, we are delaying salary increases (other than contractually guaranteed increases) and are continuing to emphasize pay for performance.

The Combination between Activision, Inc. and Vivendi Games has had a significant impact on the business scope and environment in which we operate. The significant increase in the size, complexity and global nature of our business subsequent to the Combination has increased the roles and responsibilities of many of our executives and has had an impact on who we compete against for executive talent. The increased business scope and responsibilities has impacted our peer group comparisons and has further raised the bar for the caliber of talent that we are required to attract and retain for our success. Additionally, our compensation programs include additional components as they were revised or modified to reflect certain components of the Vivendi Games compensation program for Mr. Morhaime and other former Vivendi Games employees. Furthermore, several of our key executives received transaction bonuses in recognition of their roles in the successful completion of the Combination, pursuant to their employment agreements. Details of these transaction bonuses are described below under " Employment Agreements" and in the "Summary Compensation Table" below.

We believe our success in the business environment in which we operate requires executive talent with the following characteristics:

- significant global experience managing complex brands and franchises;
- an in-depth knowledge of sophisticated strategies and operational models focused on brand management, finance, operations, sales and category management; and
- an aptitude for and experience in managing entertainment and high-technology products and talent in a rapidly changing, high-growth, high-risk environment.

Finding top executives with these characteristics often requires recruitment of executives from larger and more mature industries, such as consumer products. For example, several of our named executive officers come from top-tier global consumer products companies. These industries feature well developed, sophisticated reward and recognition models.

Compensation Philosophy and Objectives

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

- *Attract and Retain Key Executive Talent.* Executives should be recruited and retained through employment agreements.
- *Competitive Requirements.* Compensation should reflect the competitive talent market from which we recruit.
- *Alignment with Stockholders' Interests.* Our objective is to align executive compensation with the interests of stockholders through the use of performance-based incentive programs and equity. As such, a significant portion of the compensation opportunity should be variable and linked to performance.
- *Accountability for Achieving Clearly Defined Short- and Long-Term Goals Aligned with Our Strategy.* Performance and business goals for named executive officers should be clearly defined to provide clear alignment between our business strategy, performance goals, results, and incentive payouts.

Currently, we have employment agreements with each of our named executive officers. We believe these agreements are critical in enabling us to attract and retain talent in a highly competitive industry. The employment agreements specify details of the approach toward salary, annual incentives, equity awards, termination provisions, and restrictive covenants surrounding executive officer employment, including non-competition and non-solicitation provisions. Generally, the employment agreements are established at the time of hire, which was before 2008 for most executive officers, and were amended in December 2008 in order to comply with the requirements of Section 409A of the Internal Revenue Code. The agreement with Mr. Morhaime was entered into upon the close of the Combination on July 9, 2008. As such, our compensation decisions for the nine month period ended December 31, 2008 reflect the terms of these pre-existing employment agreements.

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Decision Making Approach to Executive Compensation

Scope of Authority of the Compensation Committee

The Compensation Committee's responsibilities include:

- reviewing and approving 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 $2 million per year;

- establishing and evaluating the long-term strategy of employee compensation;

- reviewing and approving the Chief Executive Officer's corporate goals and evaluating his performance;

- participating in the establishment of grant guidelines and overall pool size and approving all equity awards;

- reviewing and discussing with management the compensation-related disclosures included within the proxy statement for the annual meeting of stockholders and annual report;

- reviewing and approving all executive officer employment agreements, including severance, change of control and other terms; and

- annually reviewing the compensation payable to our directors.

The composition of our Compensation Committee changed as a result of the Combination. Prior to the Combination, our Compensation Committee consisted of three directors, each of whom was independent. As a result of the Combination, the Compensation Committee consists of two independent directors and three directors designated by Vivendi, in accordance with our Bylaws, which require a majority of the Committee members be Vivendi designees. For additional information regarding the Compensation Committee and its charter, see "Corporate Governance Matters Board of Directors and Committees Compensation Committee" above. In this Compensation Discussion and Analysis, when we refer to the Compensation Committee, we are referring to the committee serving at the time the compensation decision was made.

Role of Executive Officers and Vivendi in Compensation Decisions; Use of Compensation Survey Data

The role of the Compensation Committee is to align the executive compensation program with stockholders' interests and our business strategy. The Compensation Committee believes this alignment can be best achieved by consulting with our senior management because of their familiarity with our day-to-day operations. As such, management provides the Compensation Committee with valuable insights into our day-to-day operations, what kinds of rewards and incentives are effective, and recommendations for compensation decisions. In the nine month period ended December 31, 2008, the Compensation Committee consulted with Messrs. Kotick, Kelly, Griffith, Morhaime, Tippl and Rose and Ms. Weiser in formulating compensation plans and members of that group attended Compensation Committee meetings. Since the Combination, the Compensation Committee also has regularly consulted with internal management at Vivendi for input into compensation decisions for the named executive officers.

We annually consult third-party surveys prepared by compensation specialists with respect to companies with comparable revenues, market capitalization, industry focus, number of employees, and similar business factors. For 2008, these surveys included, the Croner Software Games Compensation Survey, the Mercer Executive Compensation Survey and the Radford Executive Survey. These surveys help us understand the competitive market for the industries in which we compete for talent, including gaming, media and consumer products sectors.

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Role of Compensation Consultants in Compensation Decisions

Pursuant to the Compensation Committee's charter, the Compensation Committee may engage compensation consultants to help formulate director and executive compensation. Prior to the Combination, the Compensation Committee retained Frederic W. Cook & Co. Inc. ("Frederic W. Cook") for advice on determining the compensation arrangements for Mr. Kotick. During the nine month period ended December 31, 2008, the Compensation Committee did not engage a compensation consultant for services related to executive compensation; however, our management team retained Mercer (US) Inc. ("Mercer") to provide information, analyses, and advice regarding executive compensation. The Mercer consultant who performs these services reports to the Chief Human Resource Officer. This information was used by management to assist in developing recommendations for executive compensation for the nine month period ended December 31, 2008.

Factors Considered in Compensation Decisions

In general, our senior management and the Compensation Committee evaluate a variety of factors when making compensation decisions including:

- an individual's skill set, experience, historical performance and expected future value to us, and the impact on us if that individual were to depart from employment with us;
- the level of total compensation for our other senior executives; and
- pay information about other companies and published surveys as a general market reference.

Although the Compensation Committee used the information provided by management and Vivendi described above to be better informed about Activision Blizzard and the marketplace, the Compensation Committee ultimately exercised its independent and subjective judgment in developing compensation plans and policies for named executive officers. As such, for the nine month period ended December 31, 2008, compensation decisions were based primarily on the terms of existing employment agreements and the desire to maintain and motivate a high-performing group of executives to drive business results and the successful consummation of the Combination.

In connection with the amendment to Mr. Kotick's employment agreement in December 2007, which we described in our proxy statement for our annual meeting held in September 2008, the Compensation Committee reviewed a peer group analysis prepared by Frederic W. Cook with the goal of ensuring that the compensation and benefits provided to Mr. Kotick were in a competitive range for the marketplace for executive talent. The analysis included peer group companies that would match our size and line of business following the Combination. Before this peer group analysis, we did not have a formal peer group that we used for compensation decisions.

In light of our recent growth and increasingly global business, a new peer group for the combined company was developed and approved by the Compensation Committee in December 2008. This peer group will be used as a key reference point to help guide compensation decisions going forward for all of our executive officers. The primary screening criteria for the selection of the peer group were as follows:

- Industry: gaming, technology, consumer packaged goods, and entertainment & leisure
- Size: revenue (generally $2 billion to $10 billion); market capitalization (approximately $8 billion to $16 billion) for consumer packaged goods
- Business characteristics: consumer orientation and global operations

The resulting peer group reflects our blend of gaming, technology, consumer packaged goods and entertainment focus, the projected size of our business subsequent to the Combination, taking into account contemplated growth over the next few years, and a similar mix of domestic and international

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operations. The 2009 executive compensation peer group consists of 15 companies, balanced among the four industry groups as indicated below (most recent trailing four quarters of net revenue in billions available as of April 2009 are shown in parentheses below):

Gaming	Technology	Consumer Packaged Goods	Entertainment & Leisure
Electronic Arts, Inc. ($4.5)	eBay, Inc. ($8.5)	H.J. Heinz Company ($10.3)	Viacom, Inc. ($14.6)
Take-Two Interactive Software, Inc. ($1.6)	Yahoo!, Inc. ($7.2)	Campbell Soup Company ($8.0)	Mattel, Inc. ($5.9)
	Symantec Corporation ($6.2)	Clorox Corporation ($5.4)	Hasbro, Inc. ($4.0)
	Adobe Systems, Inc. ($3.6)	Hershey Company ($5.1)	Warner Music Group Corporation ($3.4)
	Intuit, Inc. ($3.1)		

We believe the inclusion of consumer packaged goods companies along with our more natural industry comparator groups (gaming, technology, and entertainment & leisure) is warranted given that several of our named executive officers come from top-tier global consumer products companies and such companies continue to be among those from which we recruit executive talent. Further, it should be noted that Take-Two Interactive and Viacom were outside the initial revenue screen, but the Compensation Committee determined that their industry and business characteristics warranted their inclusion in the peer group. While the peer group provides the Compensation Committee with an important general frame of reference, the Compensation Committee, where appropriate, may consider the compensation practices of other specific companies with which we compete directly or for executive talent.

The peer group listed above differs from the group used in connection with Mr. Kotick's employment agreement in December 2007. All of the companies used in connection with Mr. Kotick's employment agreement were technology and software industry companies and some were larger than we. Many of the companies were excluded in the new peer group due to revised screening criteria of industry balance, size, and business characteristics. In particular, THQ Inc., which was previously considered a peer company, was excluded due to its revenue size (approximately $847 million for the four quarters ended December 31, 2008).

As noted above, we also annually consult outside industry and non-industry specific surveys prepared by compensation specialists with respect to companies with comparable revenues, industry focus, number of employees and other similar factors. We will continue to utilize surveys to help us understand the competitive market for the industries in which we compete for talent, including the gaming, media and consumer products sectors.

Furthermore, we evaluate broader industry trends and practices to determine the appropriate elements of compensation and the effective design of each element.

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Elements of Compensation Program for the Nine Month Period Ended December 31, 2008

An overview of the elements of our compensation program and their purpose is summarized below. Not all of these elements are applicable to all named executive officers.

Compensation Element	Purpose
Salary	Compensate for day-to-day responsibilities.
Annual bonus Corporate Annual Incentive Plan	Drive annual corporate and business unit financial results as well as individual contributions toward strategic initiatives.
Long-term incentives (stock options and restricted share awards)	Create alignment with stockholders, drive stockholder value, and provide retention.
Perquisite/Benefit	Provide modest supplemental benefits to attract key talent.
Stock ownership and retention guidelines	Strengthen alignment with stockholder interests.
Retirement	Provide modest supplemental post-retirement compensation to attract key talent.
Change of control and termination of employment	Ensure unbiased assessment of mergers and acquisitions activity and fair treatment in event of termination.

In addition to the compensation elements described above, Mr. Morhaime also participates in the Blizzard Profit Sharing Plan and Blizzard Bonus Plan, each of which were in place before the Combination. The Blizzard Profit Sharing Plan and Blizzard Bonus Plan, which are described in more detail below, serve as Mr. Morhaime's primary short-term incentives and provide for a sharing of Blizzard Entertainment operating profit and a discretionary payment, thereby providing a meaningful incentive to continue to drive the profitability of this business unit.

Salary Analysis

Each of our named executive officers is party to an employment agreement. Salary, along with target annual incentives and long term incentive awards, was initially determined upon the signing or renewal of each executive's employment agreement. The salary and any guaranteed minimum annual salary increases represent the outcome of negotiations between the executive and the Compensation Committee at the time of the negotiations. The Compensation Committee utilized its subjective judgment to determine the appropriate amount and form of compensation necessary to recruit, retain and motivate the executive. Salary increases are determined based on contractual obligations within employment agreements (if applicable) and performance during the previous fiscal year, with reference to competitive market data and salaries of our executives. In the nine month period ended

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December 31, 2008, we adjusted the salaries for our named executive officers as indicated in the table below:

Name	Salary on March 31, 2008	Salary on December 31, 2008	Percentage Change	Contractual Entitlement	Description
Robert A. Kotick	$ 950,000	$ 950,000	0%	Avg. increase of executive team (excluding increases guaranteed by executive employment agreements or as a result of promotions)	No change. Salary was increased in December 2007 under Mr. Kotick's amended employment agreement.
Michael J. Griffith	$ 700,000	$ 756,000	8%	8%	Effective July 2008. Minimum increase pursuant to Mr. Griffith's employment agreement.
Thomas Tippl	$ 500,000	$ 535,000	7%	4%	Effective October 2008. Increase in recognition of Mr. Tippl's exceptional performance in the previous year.
Brian G. Kelly	$ 876,920	$ 450,000	(49)%	None	Effective April 2008. Decreased due to change in role (Mr. Kelly is no longer an executive officer).
Michael Morhaime		$ 475,000	N/A	Greater of 5% or the percentage increase in the consumer price index during the immediately preceding 12 months for Irvine, CA	Represents initial salary upon consummation of the Combination.
George L. Rose	$ 475,000	$ 500,000	5%	4%	Effective April 2008. Increase in recognition of Mr. Rose's performance in the previous year.
Ann E. Weiser	$ 475,000	$ 500,000	5%	None	Effective April 2008. Increase in recognition of Ms. Weiser's performance in the previous year.

In February 2009, we conducted a competitive compensation assessment using our new peer group of companies and the survey data to evaluate the competitiveness of our executive compensation program and to evaluate potential refinements for 2009. After considering the executive's performance for 2008, the level of total compensation for each of our senior executives, and new market data, as well as, for Mr. Tippl, his appointment in March 2009 as our Chief Corporate Officer and Chief

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Financial Officer, we agreed to the salary increases for the named executive officers as indicated in the table below:

Name	Salary on December 31, 2008	Approved Salary for 2009	Percentage Increase	Contractual Entitlement	Description
Robert A. Kotick	$ 950,000	$ 950,000	0%	Avg. increase of executive team (excluding increases guaranteed by executive employment agreements or as a result of promotions)	No change. Mr. Kotick elected to forgo a salary increase for 2009.
Michael J. Griffith	$ 756,000	$ 817,000	8%	8%	Effective July 2009. Minimum increase pursuant to Mr. Griffith's employment agreement.
Thomas Tippl	$ 535,000	$ 750,000	40%	Avg. increase of executive team (excluding increases guaranteed by executive employment agreements or as a result of promotions) (1)	Effective February 2009. Reflects amended employment agreement and increase in duties in connection with the assumption of his new role as Chief Corporate Officer and Chief Financial Officer.
Brian G. Kelly	$ 450,000	$ 450,000	0%	None	No change. Mr. Kelly elected to forgo a salary increase for 2009.
Michael Morhaime	$ 475,000	$ 520,000	9%	None (2)	Effective March 2009. Increase in recognition of Mr. Morhaime's performance and for consistency with other named executive officers.
George L. Rose	$ 500,000	$ 520,000	4%	None (3)	Effective June 2009. Minimum increase pursuant to Mr. Rose's employment agreement.
Ann E. Weiser	$ 500,000	$ 520,000	4%	None	Effective June 2009. Increase in recognition of Ms. Weiser's performance in 2008.

(1) Mr. Tippl's employment agreement was amended in April 2009 in connection with his appointment as our Chief Corporate Officer and Chief Financial Officer. Prior to the amendment, he was contractually entitled to a 4% annual salary increase.

(2) Mr. Morhaime's employment agreement was amended in November 2009, as described below under " Recent Events." Prior to the amendment, he was contractually entitled to an annual salary increase equal to the greater of 5% or the percentage increase in the consumer price index during the immediately preceding 12 months for Irvine, California.

(3) Mr. Rose's employment agreement was amended and restated in September 2009, as described below under " Recent Events." Prior to the amendment, he was contractually entitled to a 4% annual salary increase.

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Due to the challenging financial environment and a desire to be prudent with our fixed costs during this time, we decided to delay the annual salary increase for our employees until June 2009, except increases for executives with arrangements specified in their employment agreements. In light of this decision, Messrs. Kotick and Kelly elected to forgo salary increases for 2009 while certain other executives agreed to delay implementation of their approved salaries to June 2009 to be consistent with the timing of increases for other employees.

Corporate Annual Incentive Plan

For all executives except for Mr. Morhaime, the 2008 annual incentive opportunity, goals, and payouts reflect approximately three months of Activision, Inc. performance prior to the Combination and approximately six months of Activision Blizzard performance following the Combination. Since Blizzard Entertainment's prior fiscal year ended December 31, 2007, as opposed to March 31, 2008 for Activision, Inc., the goals for Mr. Morhaime reflect a full year of Blizzard Entertainment performance and, for simplicity and consistency with other executives, approximately three months of Activision, Inc. performance prior to the Combination and approximately six months of Activision Blizzard performance following the Combination.

2008 Opportunities. The Compensation Committee established the following threshold, target, and maximum payout opportunities under our Corporate Annual Incentive Plan for the nine month period ended December 31, 2008. In setting the target levels, the Compensation Committee considered any requirements in the applicable employment agreement, competitive market data, our desired pay mix, and compensation levels of our other senior executives. If a named executive officer satisfied (but did not exceed) all performance goals, the executive officer would receive a payment equal to his or her target payout (although the Compensation Committee retained the discretion to reduce award payments). Actual payouts are aligned to performance results and could range as follows:

	2008 Corporate Annual Incentive Plan Payout Opportunity (% of Salary)(1)		
Name	**Minimum**	**Target**	**Maximum(2)**
Robert A. Kotick	0%	200%	Uncapped(3)
Michael J. Griffith	0%	100%	176%
Thomas Tippl	0%	75%	132%
Brian G. Kelly(4)			
Michael Morhaime(5)	37.5%(6)	75%	132%(7)
George L. Rose	0%	75%	132%
Ann E. Weiser	0%	75%	132%

(1) Reflects annual opportunity. For the nine month period ended December 31, 2008, the payouts for executives, except for Mr. Morhaime, were pro-rated to 75% due to the change in fiscal year resulting in a shortened nine month compensation period (April 1, 2008 to December 31, 2008). Mr. Morhaime's target was not pro-rated due to the fact that the incentive period represented performance from January 1, 2008 to December 31, 2008.

(2) The maximum percentages vary for each executive based on the mix, weighting, and maximum payout of each measure. Many of the corporate and business unit measures have a maximum of 200% of target payout while individual strategic goals typically have a maximum payout of 120% of target payout.

(3) Only the share-based performance metric component of Mr. Kotick's payout was uncapped. See details in table below.

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(4)

Mr. Kelly did not participate in the Corporate Annual Incentive Plan in the nine month period ended December 31, 2008.

(5)

In addition to the Corporate Annual Incentive Plan opportunity shown above, Mr. Morhaime participated in the Blizzard Profit Sharing Plan and the Blizzard Bonus Plan which were compensation programs provided by Blizzard Entertainment, the business unit for which he is responsible. Mr. Morhaime's participation in the Blizzard Profit Sharing Plan and Blizzard Bonus Plan are discussed in more detail below.

(6)

Mr. Morhaime's employment agreement guaranteed him an annual incentive bonus in an amount equal to 37.5% of his base salary at the time the amount of the payout under the Corporate Annual Incentive Plan was determined.

(7)

Reflects the maximum payout under the 2008 Corporate Annual Incentive Plan as approved by the Compensation Committee. Under his employment agreement, Mr. Morhaime was eligible to receive a maximum annual bonus of 150% of his base salary. Accordingly, the Compensation Committee retained the discretion to provide Mr. Morhaime with an additional, discretionary bonus that would increase his total payout to the maximum contemplated by his employment agreement.

2008 Achievement of Performance Goals and Payouts. We believe a focus on earnings and profitability provides incentive to executives to achieve goals that contribute to increasing stockholder value. Typically, 50% to 70% of the target opportunity under our Corporate Annual Incentive Plan is weighted on non-GAAP measures of profitability. For the nine month period ended December 31, 2008, the Corporate Annual Incentive Plan also included performance measures related to the successful integration of Activision, Inc. and Vivendi Games following the Combination. The remaining portion of the Corporate Annual Incentive Plan depended upon elements that drive our short and long-term profitability, including acquisition of strategic assets and franchise growth. Because these other objectives focused on leading indicators of profitability rather than actual profitability, they were assigned a lower weighting.

The Compensation Committee and our Board established the financial goals and individual performance goals based on the financial plan for the period ended December 31, 2008. In light of the Combination, Activision Blizzard corporate goals were based upon a nine month period for Activision, Inc. stand-alone results (from April 1, 2008 to December 31, 2008) combined with a six month period for Blizzard Entertainment's results (from July 1, 2008 to December 31, 2008). This incorporated the change in Activision, Inc.'s fiscal year end, which moved forward from March 31st to December 31st (hence, the nine month period) and the integration of Blizzard Entertainment's results after the consummation of the Combination (a six month period). However, Blizzard Entertainment employees continued to have performance goals based on a twelve month financial plan ended December 31, 2008, since their previous bonus period ended December 31, 2007. The established financial goals generally required significant year-over-year improvement in profitability, demanded superior performance from our management team, and were selected to drive accountability for Activision Blizzard and/or applicable business units for each executive. In the last seven fiscal years, despite sustained year-over-year revenue and operating income growth, performance-based payouts were below target in three of those fiscal years (most recently in the fiscal year 2006), demonstrating the difficulty of achieving these stretch goals. Similar to the previous year, our annual performance targets for 2008 reflected the achievement of record non-GAAP operating margins that were among the highest in the video game industry and generally above those of other companies in the sector, and the non-GAAP operating income objectives required exceptional execution of significant building blocks to profitability. As reflected in the following table, we surpassed the target goals for these corporate

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performance measures. The corporate performance measures are non-GAAP financial measures. An explanation of how these measures were calculated is provided in the footnotes to the table below.

Non-GAAP Corporate Performance Measures	Performance Goals and Results		
	Goal	Result	Achievement (%)
	(dollars in millions, except share-based amounts)		
Activision Blizzard Operating Income(1)	$ 764.2	$ 866.1	113%
Activision Blizzard Share-based Performance Metric(2)	$ 0.37	$ 0.44	119%
Blizzard Entertainment Operating Income(3)	$ 638.1	$ 685.2	107%

(1) Activision Blizzard Operating Income, a non-GAAP financial measure, was based upon the combination of Activision, Inc.'s stand-alone results for the nine month period ended December 31, 2008 and Blizzard Entertainment's results for the six month period ended December 31, 2008, and excludes the following items: equity based compensation expense, changes in deferred net revenues and related cost of sales, the results of Activision Blizzard's non-core exit operations, one-time costs related to the Combination, and amortization of intangibles and purchase price accounting related adjustments.

(2) Activision Blizzard Share-based Performance Metric, a non-GAAP financial measure, was based upon non-GAAP net income using the same combination of results over the same period as described above, divided by the average diluted share count during the six month period from July 1, 2008 to December 31, 2008.

(3) Blizzard Entertainment Operating Income, a non-GAAP financial measure, was for the twelve month period ended December 31, 2008 and was established as a non-GAAP operating income metric that excluded the changes in deferred net revenues and related cost of sales but included equity-based compensation expense, consistent with how the goals were established at the beginning of the year.

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We established performance measures for each individual and assigned weightings, expressed as percentages, to each performance measure, as reflected in the following table.

Name/Measure(1)	Weight (%)	Maximum Payout (As Percentage of Target)	Actual Payout (As Percentage of Target)
Robert A. Kotick TOTAL TARGET PAYOUT $1,425,000			
Activision Blizzard share-based performance metric	60.0	Uncapped	118.9
Activision business franchise	10.0	120.0	120.0
Business unit/product line operating income	10.0	120.0	0.0
Acquisitions of strategic assets	7.5	120.0	110.0
Merger integration	7.5	120.0	120.0
Talent management	5.0	120.0	0.0
Total	100.0	Uncapped	100.6
Michael J. Griffith TOTAL TARGET PAYOUT $553,000			
Activision Blizzard operating income	70.0	200.0	113.3
Business unit/product line operating income	20.0	120.0	0.0
Talent management	10.0	120.0	0.0
Total	100.0	176.0	79.3
Thomas Tippl TOTAL TARGET PAYOUT $287,813			
Activision Blizzard operating income	70.0	200.0	113.3
Ensure successful Activision/Vivendi S.A. integration + synergy goal delivery	15.0	120.0	120.0
Acquire strategic assets	15.0	120.0	110.0
Total	100.0	176.0	113.8
Michael Morhaime TOTAL TARGET PAYOUT $356,250			
Blizzard Entertainment operating income	60.0	200.0	107.4
Activision Blizzard operating income	10.0	200.0	113.3
Franchise growth	10.0	120.0	120.0
Product launch	10.0	120.0	120.0
Product development	10.0	120.0	120.0
Total	100.0	176.0	111.7
George L. Rose TOTAL TARGET PAYOUT $281,250			
Activision Blizzard operating income	70.0	200.0	113.3
Ensure successful Activision/Vivendi S.A. integration + synergy goal	15.0	120.0	120.0

delivery			
Acquire strategic assets	15.0	120.0	110.0
Total	100.0	176.0	113.8
Ann E. Weiser TOTAL TARGET PAYOUT $281,250			
Activision Blizzard operating income	70.0	200.0	113.3
Ensure successful Activision/Vivendi S.A. integration + synergy goal delivery	10.0	120.0	120.0
Implement WW HR integration plan	10.0	120.0	120.0
Talent management	10.0	120.0	50.0
Total	100.0	176.0	108.3

(1) Target and actual payout dollars were calculated based on pro-rated salaries earned from April 1, 2008 to December 31, 2008 (75% of annualized values) for all executives excluding Mr. Morhaime. Mr. Morhaime's payouts were for the full calendar year. Mr. Kelly did not participate in the Corporate Annual Incentive Plan in the nine month period ended December 31, 2008 due to the change in his role.

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Other Annual Incentive Plan and Bonus Programs for the Nine Month Period Ended December 31, 2008

In addition to the Corporate Annual Incentive Plan discussed above, we provided other incentive plan and bonus payments to select executives.

During the nine month period ended December 31, 2008, Mr. Kotick and Mr. Kelly both received $5,000,000 pursuant to their replacement bonus agreements, effective December 1, 2007, that were entered into in connection with the Combination. The replacement bonus agreements provided that Messrs. Kotick and Kelly would each receive a $5,000,000 cash bonus on or near December 31, 2007 and another $5,000,000 cash bonus upon the consummation of the Combination. The purpose of these awards was to provide replacement value for certain rights that were waived by Messrs. Kotick and Kelly under their prior employment agreements, including waiving their rights with respect to (1) a cash payment in respect of certain equity awards upon the consummation of the Combination, (2) accelerated vesting of certain equity awards upon the consummation of the Combination, and (3) certain severance payments upon a resignation without cause or good reason following the Combination.

Pursuant to his employment agreement, Mr. Morhaime also received an end-of-year bonus in the amount of $237,500 (50% of salary) under the Blizzard Bonus Plan for the twelve month period ended December 31, 2008. His target and minimum bonus for each fiscal year were 50% of his salary and 25% of his salary, respectively. The Blizzard Bonus Plan is provided to Mr. Morhaime as a continuation of a program he participated in while employed by Vivendi Games. The amount earned by Mr. Morhaime was based on a subjective determination by the Compensation Committee.

Mr. Morhaime also participated in the Blizzard Profit Sharing Plan, which provided Mr. Morhaime a minimum sharing of the "profit sharing pool" determined as a percentage of operating income for the Blizzard Entertainment business unit. For the twelve month period ended December 31, 2008, Mr. Morhaime received the minimum sharing percentage provided for by his employment agreement. Similar to the Blizzard Bonus Plan, this program is a continuation of the profit sharing program provided to Mr. Morhaime while employed by Vivendi Games. Due to the dynamics of the gaming business and Mr. Morhaime's position as well as our strategic focus on profitability, the prevalent market practice of profit sharing programs in the studio gaming industry, contractual obligations, and to incentivize and reward him for his contribution to Blizzard Entertainment and Activision Blizzard profits, we made the decision to maintain this program going forward for Mr. Morhaime at Activision Blizzard. As described in " Employment Agreements Michael Morhaime" below, in March 2009, the provision of Mr. Morhaime's employment agreement relating to profit sharing compensation was amended, so that, beginning in 2009, his opportunity to receive profit sharing payments is under our 2008 Plan, rather than the Blizzard Profit Sharing Plan. Mr. Morhaime's employment agreement was further amended in November 2009, as described in " Recent Events" below.

During the nine month period ended December 31, 2008, several of our key executives also received transaction bonuses in recognition of their roles in the successful completion of the Combination. See " Employment Agreements" and the "Summary Compensation Table" below for details on these transaction bonuses.

Corporate Annual Incentive Plan Refinements for the Calendar Year Ending December 31, 2009

As part of our annual goal setting process, we reviewed our Corporate Annual Incentive Plan and modified the performance measures and weighting for the calendar year ending December 31, 2009 to reflect our business strategy and objectives for 2009. In addition to the share-based performance and operating income measures, the 2009 Corporate Annual Incentive Plan will include a cash flow measure for most of our named executive officers. Due to the refinements to the performance measures and weighting, the threshold and maximum payout ranges have changed from those for the

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nine month period ended December 31, 2008. Other notable changes include a defined maximum payout for Mr. Kotick. The target and maximum opportunities for 2009 under the 2009 Corporate Annual Incentive Plan are summarized as follows:

	2009 Corporate Annual Incentive Plan Payout Opportunity (% of Salary)		
Name	**Minimum**	**Target**	**Maximum**
Robert A. Kotick	0%	200%	322%
Michael J. Griffith	0%	100%	169%
Thomas Tippl	0%	100%	169%
Michael Morhaime	37.5%(1)	75%	132%(2)
George L. Rose	0%	75%	120%
Ann E. Weiser	0%	75%	120%

(1) Mr. Morhaime's employment agreement guaranteed him an annual incentive bonus in an amount equal to 37.5% of his base salary at the time the amount of the payout under the Corporate Annual Incentive Plan was determined.

(2) Reflects the maximum payout under the 2009 Corporate Annual Incentive Plan as approved by the Compensation Committee. Under his employment agreement, Mr. Morhaime was eligible to receive a maximum annual bonus of 150% of his base salary. Accordingly, the Compensation Committee retained the discretion to provide Mr. Morhaime with an additional, discretionary bonus that would increase his total payout to the maximum contemplated by his employment agreement.

The maximum percentages vary for each executive based on the mix, weighting, and maximum payout of each measure. Many of the corporate and business unit measures have a maximum of 200% of target payout while individual strategic goals typically have a maximum payout of 120% of target payout.

Long-Term Incentives

Our long-term incentive program is intended to drive long-term value creation, create alignment with stockholders' interests and provide retention. The program consists primarily of stock options as well as restricted stock and restricted share units (collectively referred to as "restricted share awards"). Stock options provide value to the executives only in the event the stock price increases, consistent with stockholder objectives. Restricted share awards mirror the ownership interest of stockholders, further aligning the interests of our executives with those of stockholders. Restricted share awards also serve as a pure retention vehicle since we generally vest these grants based on continued employment. We believe a combination of stock options and restricted share awards serve to appropriately balance the objectives of the program.

In granting equity to executive officers, we typically place a 70-80% weight on options and a 20-30% weight on restricted share awards. We weight options more heavily because their value to the executive remains more strongly tied to our stock price growth, as options provide value to executives only if our stock price appreciates above the price on the grant date. Restricted share awards also reward executives for improved stock performance, while at the same time enhancing executive retention by ensuring a competitive level of compensation.

For executive officers, we provide long-term incentive grants as part of an employment agreement to secure long-term commitments to our multi-year business growth strategy. Since equity grants are provided to executive officers at the hiring of a new executive officer or the renewal of an executive officer's employment agreement, the value of the awards reflects a multi-year award. Generally, we do

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not provide supplemental annual long-term incentive grants to executive officers unless there are circumstances that warrant additional long-term incentive awards.

All grants of equity securities to employees, including those to executive officers in connection with new or renewed employment agreements, are approved by our Compensation Committee, and, where appropriate, the Section 16 Subcommittee. The effective date of the grant is generally the third trading day following approval if approval is obtained during an open trading window under our insider trading policy. In the event that the Compensation Committee determines to approve a grant when the window is not open because, for example, we are in a regularly scheduled quarter-end blackout period, the effective date of the grant ordinarily is delayed until the window is next scheduled to be open. Stock options have an exercise price equal to the NASDAQ Official Closing Price of our Common Stock on the effective date as reported on Nasdaq.com.

During the nine month period ended December 31, 2008, we provided long-term incentive awards to Messrs. Kotick, Griffith, and Morhaime. For Mr. Kotick and Mr. Griffith, the awards were provided in recognition of their roles and accomplishments in connection with the Combination, and for Mr. Morhaime to appropriately tie his compensation to the success of the new combined organization. For Mr. Kotick and Mr. Morhaime, the value of the equity grants was determined based on the terms of their employment agreements, and for Mr. Griffith, the Compensation Committee utilized its subjective judgment and knowledge of employment agreement provisions with others to reward him for his accomplishments in the nine month period ended December 31, 2008.

During the nine month period ended December 31, 2008, Mr. Kotick and Mr. Kelly both received awards pursuant to their replacement bonus agreements.

Retirement Arrangements

We offer a 401(k) plan to all employees in the United States including the named executive officers. We do not maintain other retirement benefit plans such as a qualified pension plan or a special non-qualified or supplemental deferred compensation plans for named executive officers. 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 the named executive officers' long-term wealth accumulation depends on the achievement of Activision Blizzard profitability targets and the appreciation of our Common Stock.

For the nine month period ended December 31, 2008, Mr. Morhaime participated in a deferred compensation program which was a continuation of the deferred compensation program at Vivendi Games. In September 2008, we agreed to terminate the program effective January 2009 as the program was inconsistent with our philosophy regarding retirement arrangements. In January 2009, all deferred amounts were paid out to all participating employees, including Mr. Morhaime.

Perquisites and Other Personal Benefits

We provide limited perquisites and personal benefits to our named executive officers. Similar to our philosophy on retirement arrangements, we believe that perquisites and personal benefits arrangements are particular to, and should remain the responsibility of, each individual officer. However, according to Mercer's 2008 Cost of Living survey, our corporate headquarters in the Los Angeles/Long Beach urban area was the second most expensive metropolitan area in the United States. Given this relatively high cost of living and housing relative to the areas in which we have traditionally recruited and competed for executive talent, such as the Midwest United States, the Compensation Committee has used mortgage assistance, including associated tax reimbursements, to help recruit and retain executive talent. Currently, we provide mortgage assistance and related tax reimbursements to Ms. Weiser. We also provided mortgage assistance to Mr. Tippl through February 15, 2009 and tax reimbursements relating to the mortgage assistance through November 2008. Mr. Griffith's mortgage assistance ended in June 2008. In addition, we provide Mr. Morhaime with certain other immaterial perquisites which are consistent with the arrangements he had at Vivendi Games.

The named executive officers may also participate in benefit programs generally available to all employees, including medical, life and disability insurance benefits. We provide very few additional benefits to executives, as described in the section entitled " Employment Agreements" and in the "Summary Compensation Table" below.

Termination of Employment and Change of Control Arrangements

To attract and retain talented executives, we provide severance and change of control benefits, which are negotiated with each executive officer in connection with a new or renewed employment agreement. In addition, Messrs. Kotick and Kelly are eligible to receive change of control benefits that the Compensation Committee believes remain consistent with market practice and will assist these individuals in maintaining objectivity in the context of a potential change of control transaction. These benefits for each of the named executive officers are described under " Potential Payments upon Termination or Change of Control" below.

Stock Ownership and Retention Guidelines

In some cases, executives are subject to stock ownership and retention guidelines. Specifically, Mr. Griffith and Mr. Tippl have stock ownership requirements as follows, which were established in 2005, in connection with the negotiation of their employment agreements:

Component	**Stock Ownership Requirements**	
Michael J. Griffith	Aggregate market value equal to the greater of:	
	(a)	1.5 times his annual salary or
	(b)	10% of the total amount realized by him from all option exercises on or before June 15, 2007.
Thomas Tippl	Aggregate market value equal to the greater of:	
	(a)	1.5 times his annual salary or
	(b)	10% of the total amount realized by him from all option exercises on or before October 1, 2007.

Calculation of these minimum stock ownership requirements includes any restricted share awards held by Messrs. Griffith and Tippl. As of December 31, 2008, each of Messrs. Griffith and Tippl satisfied the applicable ownership requirements.

In light of Mr. Kotick's significant equity holdings, the Compensation Committee does not believe it is necessary to impose stock ownership requirements on him. Further, as discussed in "Director Compensation Equity Compensation and Stock Ownership Guidelines" below, each of our directors is subject to certain stock ownership and retention guidelines.

Impact of Tax and Accounting Considerations

We consider tax and accounting implications in determining the major elements of our compensation programs and the details of significant individual compensation.

In structuring compensation programs, setting individual compensation levels and awarding bonuses and incentive plan payouts, the Compensation Committee considers the potential impact of Section 162(m) of the Internal Revenue Code. This section generally does not allow a publicly held corporation to make a tax deduction when compensation paid a covered employee (generally, the chief executive officer or any of its 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 such performance goals;
- our stockholders approve the material terms of the compensation; 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.

The 2007 Plan and the 2008 Plan permit us to structure performance-based incentives to employees who are covered employees in a manner that would allow payments under such plans to satisfy the requirements of Section 162(m) for deductibility.

For the nine month period ended December 31, 2008, none of our covered employees' salaries exceeded $1.0 million, therefore we may deduct the full amount of each executive's salary. With respect to annual incentive plan and bonus payouts and long-term incentive and equity grants, in light of the circumstances surrounding the Combination, we determined that it was not practical or advisable to take all of the steps necessary in a timely manner to ensure that such compensation was fully deductible under Section 162(m). For 2009, we have taken steps to increase the deductibility of elements of our performance-based incentives and engaged outside counsel to provide legal advice on this matter. However, we believe it is important that we retain the flexibility to structure compensation arrangements necessary to attract and retain the best executive talent, even though such elements may not be fully deductible under Section 162(m).

To the extent that any award granted under the 2007 Plan or the 2008 Plan constitutes a deferral of compensation within the meaning of Section 409A of the Code, the Compensation Committee intends to cause the award to comply with the requirements of Section 409A and to avoid the imposition of penalty taxes and interest upon the participant receiving the award.

The Compensation Committee also takes accounting considerations, including the impact of FAS 123(R), into account in structuring compensation programs and determining the form and amount of compensation awarded.

Recent Events

George Rose Employment Agreement

On September 11, 2009, we entered into a new employment agreement with Mr. Rose, which will take effect on January 1, 2010 subject to Mr. Rose's continued employment with us through that date, and upon taking effect will supersede Mr. Rose's employment agreement with Activision Publishing, Inc. dated as of September 11, 2007, as amended. Pursuant to the agreement, Mr. Rose will serve as our Executive Vice President and Chief Public Policy Officer. The agreement provides that Mr. Rose's annual base salary will be $540,000, subject to periodic review and possible increase in our discretion, and that Mr. Rose will be eligible for an annual bonus with a target amount of 75% of his base salary, the actual amount of which will be determined by us in our sole discretion based on his overall performance and our performance. Mr. Rose is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain a $2 million supplemental term life insurance policy for the benefit of his estate through the term of his employment.

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As an inducement to enter into the agreement, we agreed to grant Mr. Rose, subject to approval by the Compensation Committee, (1) an option to purchase 460,000 shares of our Common Stock and (2) 45,000 restricted share units.

Upon a termination of Mr. Rose's employment by us without cause (as defined in the agreement), by Mr. Rose because his principal place of business has been relocated without his consent by more than 50 miles from the location of his employment as of January 1, 2010, or by us due to Mr. Rose's disability (as defined in the agreement), subject to his execution of a release and such release becoming effective, Mr. Rose will receive (a) continued payment of his base salary through December 31, 2012 (reduced, to the extent permitted by Section 409A of the Code, by any payments to which Mr. Rose becomes entitled under our long-term disability plan) and (b) any annual bonus that Mr. Rose would have received for any year that ended prior to the termination date had he remained employed through the date such bonus would otherwise have been paid, and a pro-rata portion of his annual bonus for the year in which the termination occurs (determined based on actual performance) (together, the "Bonus Severance"). Upon a termination of Mr. Rose's employment due to his death, Mr. Rose's heirs or estate will receive (a) a lump sum payment equal to two times his base salary (reduced by any payments which Mr. Rose receives under our long-term disability plan) and (b) the Bonus Severance. Our obligation to pay the severance amounts described above shall cease if and when Mr. Rose obtains subsequent employment or breaches any of his post-employment obligations to us (including those described in the following paragraph).

The agreement provides that, except for during the final six months of the term of his employment thereunder, Mr. Rose will not negotiate for employment with any entity or person other than us or our subsidiaries. The agreement further provides that (a) during his employment, Mr. Rose will not solicit any of our or our subsidiaries' clients, customers, contractors, licensors, agents, suppliers, partners or other business relationships to terminate or modify their relationships with us, and (b) during and for a two-year period following termination of his employment, Mr. Rose will not solicit the employment or engagement of any person employed or otherwise engaged by us or any of our subsidiaries.

Amendment to Michael Morhaime Employment Agreement

On November 4, 2009, we and Mr. Morhaime entered into an amendment to his employment agreement, the material terms of which will take effect on January 1, 2010 subject to Mr. Morhaime's continued employment with us through that date (the "Morhaime Amendment").

Prior to the Morhaime Amendment, Mr. Morhaime was entitled under his employment agreement to receive an annual base salary of $520,000 (subject to annual increases as described below under " Employment Agreements Michael Morhaime") and a guaranteed minimum annual bonus of 37.5% of his base salary under our Corporate Annual Incentive Plan. His employment agreement also provided for a target annual incentive under the Blizzard Bonus Plan equal to 50% of his base salary, with a guaranteed minimum annual incentive under that plan equal to 25% of his base salary. Under the Morhaime Amendment, Mr. Morhaime will no longer be entitled to automatic annual salary increases. The Morhaime Amendment provides that the previously guaranteed portion of Mr. Morhaime's annual bonus under the Corporate Annual Incentive Plan will be added to his base salary effective January 1, 2010 (bringing his annual base salary to $715,000), his annual target bonus under the Corporate Annual Incentive Plan will be reduced from 75% to 27% of his base salary (with no minimum bonus guarantee), and his target and guaranteed annual incentive amounts under the Blizzard Bonus Plan will be reduced from 50% and 25% of his base salary to 37% and 18.5% of his base salary, respectively.

Effective January 1, 2010, the Morhaime Amendment will also change the formula in Mr. Morhaime's employment agreement for determining the enhanced severance payment to which Mr. Morhaime may be entitled in the event that his employment is terminated by us without "cause"

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or by him for "good reason" (each, as defined in his employment agreement). Prior to the Morhaime Amendment, Mr. Morhaime was entitled under his employment agreement to receive an enhanced severance payment (in addition to regular severance) equal to the amount, if any, by which his "required total compensation" (defined as the product of (i) $4,000,000 multiplied by (ii) the total number of years, including any partial year expressed as a percentage of an entire year, during which Mr. Morhaime remained employed by us under the agreement) exceeds the aggregate total compensation Mr. Morhaime received under his employment agreement during his years of service to the Company. Under the Morhaime Amendment, the enhanced severance payment will be equal to (a) $1,500,000, in the event that Mr. Morhaime is terminated by us without cause, or (b) in the event that Mr. Morhaime terminates his employment for good reason, $300,000 (if the termination occurs during 2010), $600,000 (if the termination occurs during 2011), $900,000 (if the termination occurs during 2012), $1,200,000 (if the termination occurs during 2013) or $1,500,000 (if the termination occurs during or after 2014).

Summary Compensation Table

The table below presents compensation information for each of our named executive officers for services rendered during the periods indicated.

Name and Principal Position	Year(1)	Salary ($)	Bonus(2) ($)	Stock Awards(3)(5) ($)	Option Awards(4)(5) ($)	Non-Equity Incentive Plan Compensation(6) ($)	All Other Compensation(7) ($)	Total ($)
Robert A. Kotick	9MO 08	743,980	5,000,000	11,258,801	10,491,618	1,433,550	3,990	28,931,939
President and Chief	FY2008	899,560	5,000,000		5,959,994	3,079,798	10,750	14,950,102
Executive Officer	FY2007	797,200			1,156,610	881,571	8,990	2,844,371
Michael J. Griffith	9MO 08	558,815	700,000	836,310	4,271,608	438,529	54,978	6,860,240
President and Chief	FY2008	686,000	450,000	400,000	1,773,156	1,133,550	203,394	4,646,100
Executive Officer, Activision Publishing	FY2007	635,077		400,000	2,342,935	1,030,320	225,757	4,634,089
Thomas Tippl	9MO 08	387,731	562,500	365,498	1,472,225	327,531	113,525	3,229,010
Chief Financial Officer	FY2008	483,385		300,000	1,424,452	631,620	164,519	3,003,976
	FY2007	458,654		300,000	2,009,424	573,176	168,857	3,510,111
Brian G. Kelly	9MO 08	357,381	5,000,000	2,114,419	2,687,505		2,237	10,161,542
Co-Chairman	FY2008	875,387	5,000,000		872,636	2,996,556	9,483	9,754,062
	FY2007	797,200			1,156,610	881,571	7,789	2,843,170
Michael Morhaime(8) President and Chief Executive Officer, Blizzard Entertainment	9MO 08(8)	232,667	415,625	75,026	880,584	3,492,386	20,428	5,116,716
George L. Rose Chief Legal Officer	9MO 08	378,846	356,250	205,943	1,040,529	320,063	5,344	2,306,975
Ann E. Weiser Chief Human Resource Officer	9MO 08	378,846	297,000	133,537	981,128	304,594	38,459	2,133,564

(1) 9MO 08 refers to the nine month period from April 1, 2008 through December 31, 2008. Upon the consummation of the Combination, we changed our fiscal year end from March 31st to December 31st, resulting in this shortened reporting period. FY2008 refers to Activision, Inc.'s 2008 fiscal year, from April 1, 2007 through March 31, 2008. FY2007 refers to Activision, Inc.'s 2007 fiscal year, from April 1, 2006 through March 31, 2007.

(2)

For the nine month period ended December 31, 2008 (*i.e.*, 9MO 08), the amount paid to each of Messrs. Kotick and Kelly represents payment of a cash bonus to him upon the consummation of the Combination pursuant to the terms of his replacement bonus agreement with us. Please see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Other Annual Incentive Plan and Bonus Programs for the Nine Month Period Ended December 31, 2008" above and " Employment Agreements Robert A. Kotick and Brian G. Kelly Replacement Bonus Agreements" below. The amount paid to each of Messrs. Griffith, Tippl and Rose and Ms. Weiser for that period represents a bonus paid to him or her upon the consummation of the Combination as compensation for his or her contributions with respect thereto. The amount paid to Mr. Morhaime for that period consists

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of amounts paid to him pursuant to the Blizzard Bonus Plan and the guaranteed portion of his Corporate Annual Incentive Plan award and takes into account his service to Blizzard Entertainment prior to the Combination. Please see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008," " Compensation Discussion and Analysis Recent Events," and " Employment Agreements Michael Morhaime" below for further details pertaining to these bonus programs.

(3)

For the nine month period ended December 31, 2008 (*i.e.*, 9MO 08), the amounts in this column represent the sum of (a) the dollar amount recognized in the financial statements of Activision Blizzard with respect to the period beginning with the consummation of the Combination and ending on December 31, 2008 and (b) the dollar amount recognized in the financial statements of Activision, Inc. with respect to the period beginning on April 1, 2008 and ending on July 8, 2008 (*i.e.*, the day prior to the date on which the Combination was consummated), in each case in accordance with FAS 123(R) (excluding any impact of assumed forfeiture rates) for stock awards granted in and prior to such period. Because the Combination was accounted for as a reverse acquisition, the amounts described in clause (b) are not included in the historical financial statements of Activision Blizzard. Set forth in the table below is the amount attributable to the period between April 1, 2008 and July 8, 2008 for stock awards granted in and prior to such period:

Name	Stock Awards ($)
Robert A. Kotick	
Michael J. Griffith	110,000
Thomas Tippl	82,500
Brian G. Kelly	
Michael Morhaime	
George L. Rose	78,052
Ann E. Weiser	50,125

(4)

For the nine month period ended December 31, 2008 (*i.e.*, 9MO 08), the amounts in this column represent the sum of (a) the dollar amount recognized in the financial statements of Activision Blizzard with respect to the period beginning with the consummation of the Combination and ending on December 31, 2008 and (b) the dollar amount recognized in the financial statements of Activision, Inc. with respect to the period beginning on April 1, 2008 and ending on July 8, 2008 (*i.e.*, the day prior to the date on which the Combination was consummated), in each case in accordance with FAS 123(R) (excluding any impact of assumed forfeiture rates) for option awards granted in and prior to such period. Because the Combination was accounted for as a reverse acquisition, the amounts described in clause (b) are not included in the historical financial statements of Activision Blizzard. Set forth in the table below is the amount attributable to the period between April 1, 2008 and July 8, 2008 for option awards granted in and prior to such period:

Name	Option Awards ($)
Robert A. Kotick	3,193,694
Michael J. Griffith	411,776
Thomas Tippl	298,786
Brian G. Kelly	183,004
Michael Morhaime	
George L. Rose	273,276
Ann E. Weiser	367,432

Assumptions and key variables used in the calculation of the amounts expensed for the period from July 9, 2008 to December 31, 2008 are discussed in footnote 19 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2008 filed with the SEC on February 27, 2009. Assumptions and key variables used in the calculation of the amounts expensed for the period from April 1, 2008 to July 8, 2008 are discussed in footnote 13 to our audited financial statements included in our quarterly report on Form 10-Q for the period ended June 30, 2008 filed with the SEC on August 7, 2008 and footnote 14 to our audited financial statements included in our annual report on Form 10-K for the year ended March 31, 2008 filed with the SEC on May 30, 2008.

(5)

As a result of the reverse acquisition accounting treatment for the Combination, a new fair value was established for Activision, Inc. stock awards and option awards previously granted to employees and directors that were outstanding at the date on which the Combination was consummated. For vested stock awards and option awards, the new fair value was recorded in goodwill. Neither the Summary Compensation Table nor the Grants of Plan-Based Awards Table includes amounts recorded in goodwill with respect to such stock awards and option awards. For unvested stock awards and option awards, the new fair value is being expensed over the remaining vesting period from the date on which the Combination was consummated. The following table summarizes additional expenses recognized for stock awards and options awards that were unvested upon consummation of the Combination for the period from July 9, 2008 through December 31, 2008 as a

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result of the new fair value, which represented a change in the original fair value previously determined at the time the stock awards and option awards were granted:

Name	Stock Awards ($)	Option Awards ($)
Robert A. Kotick	$	$ 2,717,799
Michael J. Griffith	143,457	2,590,845
Thomas Tippl	139,555	727,181
Brian G. Kelly		2,080,137
Michael Morhaime		
George L. Rose	36,066	295,605
Ann E. Weiser	23,522	203,309

(6)

For the nine month period ended December 31, 2008 (*i.e.*, 9MO 08), the amounts in this column for the named executive officers other than Mr. Morhaime represent cash incentives paid under the Corporate Annual Incentive Plan. For Mr. Morhaime, the amount consists of amounts paid to him pursuant to the Blizzard Profit Sharing Plan and the portion of his payout under the Corporate Annual Incentive Plan in excess of the amount guaranteed under his employment agreement as in effect on December 31, 2008 (which guaranteed portion is reported herein as a bonus) and takes into account his service to Blizzard Entertainment prior to the Combination. For a discussion of non-equity incentive plans, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Corporate Annual Incentive Plan" and " Other Annual Incentive Plan and Bonus Programs for the Nine Month Period Ended December 31, 2008."

(7)

For the nine month period ended December 31, 2008 (*i.e.*, 9MO 08), the amounts in this column include the following:

Name	Company 401(k) plan matching contributions	Life, disability and medical insurance premiums	Mortgage assistance payments	Tax reimbursements
Robert A. Kotick	$ 329	$ 3,661		
Michael J. Griffith	$ 1,072	$ 7,823	$ 33,333	$ 12,750
Thomas Tippl	$ 2,021	$ 1,278	$ 63,000	$ 47,226
Brian G. Kelly	$ 104	$ 2,133		
Michael Morhaime		$ 12,325		
George L. Rose	$ 173	$ 5,171		
Ann E. Weiser	$ 1,952	$ 3,327	$ 18,000	$ 15,180

In addition, Mr. Morhaime received a car allowance and a stipend for personal financial, accounting, tax and legal services.

We have calculated the incremental cost to us of the perquisites listed above based on the amount of payments made by us for the provision of such benefits.

(8)

For Mr. Morhaime, the amount in the "Salary," "Stock Awards," "Option Awards," and "All Other Compensation" columns reflect compensation for services rendered to Activision Blizzard from July 9, 2008 (the date of consummation of the Combination) through December 31, 2008. Amounts in the "Bonus" and "Non-Equity Incentive Plan Compensation" columns for Mr. Morhaime take into account his service to Blizzard Entertainment prior to the Combination. See " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Corporate Annual Incentive Plan 2008 Achievement of Performance Goals and Payouts" above.

The following table shows the allocation on a plan-by-plan basis of the dollar amount recognized as expense during the period between July 9, 2008 and December 31, 2008 attributable to stock awards and option awards for Mr. Morhaime.

Name of Plan	Total Stock Awards	Total Option Awards
2008 Plan		$ 1,199,490
Blizzard Equity Plan	$ 75,123	139,255
Vivendi Corporate Plan	(97)	(458,162)
Total	$ 75,026	$ 880,583

Prior to the Business Combination, Mr. Morhaime was granted equity incentive plan awards that were cash settled awards from the Blizzard Equity Plan and the Vivendi Corporate Plan. The Blizzard Equity Plan awards included restricted share units and stock options, whereas the Vivendi Corporate Plan awards included restricted share units and stock appreciation rights.

Grants of Plan-Based Awards for the Nine Month Period Ended December 31, 2008

The table below provides information regarding the grants of plan-based awards made during the nine month period ended December 31, 2008:

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)(2)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Target ($)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards(3) Threshold (#)	Estimated Future Payouts Under Equity Incentive Plan Awards(3) Target (#)	Estimated Future Payouts Under Equity Incentive Plan Awards(3) Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units(3) (#)	All Other Option Awards: Number of Securities Underlying Options(3) (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards(4) ($)
Robert A. Kotick				1,425,000	4,000,000							
	07/09/2008	07/08/2008(5)							727,274(6)			10,934,565
	07/09/2008	07/08/2008(5)				500,000(7)	2,500,000(7)	2,500,000(7)				23,127,775
Michael J. Griffith				553,000	973,280							
	07/11/2008	07/08/2008(5)							100,000(8)			1,627,500
	07/11/2008	07/08/2008(5)								100,000(9)	16.28	751,406
Thomas Tippl				287,813	506,550							
Brian G. Kelly	07/09/2008	07/08/2008(5)							727,274(10)			10,934,565
Michael Morhaime				356,250	627,000							
				2,700,000(11)								
	07/09/2008	07/08/2008(5)								600,000(12)	15.04	4,177,315
George L. Rose				281,250	495,000							
Ann E. Weiser				281,250	495,000							

(1) With the exception of Mr. Morhaime's right to participate in the Blizzard Entertainment profit sharing plan described in footnote (11), the non-equity incentive plan award opportunities for which our named executive officers were eligible with respect to the nine month period ended December 31, 2008 consisted of annual incentive plan awards made under the Corporate Annual Incentive Plan under our 2007 Plan.

(2) The named executive officers participating in the Corporate Annual Incentive Plan are not entitled to a minimum amount thereunder except for Mr. Morhaime, whose employment agreement (as in effect on December 31, 2008) guaranteed him an annual incentive bonus in an amount equal to 37.5% of his base salary at the time the amount of the payout under the Corporate Annual Incentive Plan was determined (see " Employment Agreements Michael Morhaime" below).

(3) All grants of equity awards made to our named executive officers in the nine month period ended December 31, 2008 were made under the 2007 Plan.

(4) The grant date fair value of the stock and option awards is computed in accordance with FAS 123(R), but excludes any impact of assumed forfeiture rates. See footnote (4) to the Summary Compensation Table for information about the assumptions and key variables used in the calculation of the amounts expensed.

(5)

These equity awards to Messrs. Kotick, Kelly, Griffith and Morhaime were made pursuant to the terms of employment agreements entered into or amended, as the case may be, on December 1, 2007 in connection with the Combination (as such agreements were in effect on December 31, 2008). As contemplated by these agreements, these awards were approved by the Compensation Committee on July 8, 2008 in connection with the consummation of the Combination.

(6)

This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, which were granted upon the consummation of the Combination pursuant to Mr. Kotick's replacement bonus agreement with us. See " Employment Agreements Robert A. Kotick and Brian G. Kelly Replacement Bonus Agreements" below. One-third of these restricted share units vested on December 31, 2008 and one-third will vest on each of December 31, 2009 and 2010, respectively.

(7)

This represents performance shares of our Common Stock, which were granted under the 2007 Plan upon the consummation of the Combination pursuant to Mr. Kotick's employment agreement with us. See " Employment Agreements Robert A. Kotick and Brian G. Kelly Kotick Employment Agreement" below. The performance shares will vest in 20% increments on each of July 9, 2009, 2010, 2011, and 2012, with another 20% vesting on December 31, 2012, in each case subject to our attaining the specified compound annual total stockholder return target for that vesting period. The performance targets increase for each vesting period. If we do not achieve the performance target for a vesting period, no performance shares will vest for that vesting period. If, however, we later achieve a performance target for a subsequent vesting period, then all of the unvested performance shares relating to prior vesting periods will vest on such subsequent vesting date. The threshold reflects the number of shares that would be issued if the first such performance goal is achieved and the target reflects the total number of shares issuable if all the performance targets are achieved.

(8)

This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, which were granted upon the consummation of the Combination pursuant to Mr. Griffith's employment agreement with us. See " Employment Agreements Michael J. Griffith" below. These restricted share units will vest in full on June 30, 2010.

(9)

These options to purchase our Common Stock were granted upon the consummation of the Combination pursuant to Mr. Griffith's employment agreement with Activision Publishing. See " Employment Agreements Michael J. Griffith" below. One-third of these options will vest on each of July 9, 2009, 2010 and 2011.

(10)

This represents restricted share units, each representing the conditional right to receive one share of our Common Stock, which were granted upon the consummation of the Combination pursuant to Mr. Kelly's replacement bonus agreement with us. See " Employment Agreements Robert A. Kotick and Brian G. Kelly Replacement Bonus Agreements" below. These restricted share units will vest in full on December 31, 2010.

(11)

Pursuant to his employment agreement with us (as in effect on December 31, 2008), during 2008 Mr. Morhaime was entitled to a minimum specified percentage of a profit sharing pool, the aggregate amount of which depended upon Blizzard Entertainment's profitability for that year. As such, no target amount is determinable and this amount is a representative amount equal to Mr. Morhaime's share of the aggregate pool paid to Blizzard Entertainment employees with respect to the calendar year ended December 31, 2007. See " Summary Compensation Table" above. For more information about the Blizzard Profit Sharing Plan, see " Compensation Discussion and Analysis Elements of Compensation Program for Nine Month Period Ended December 31, 2008 Other Annual Incentive Plan and Bonus Programs for the Nine Month Period Ended December 31, 2008" above.

(12)

These options to purchase our Common Stock were granted upon the consummation of the Combination pursuant to Mr. Morhaime's employment agreement with us (as in effect on December 31, 2008). See " Employment Agreements Michael Morhaime" below. These options vest in 60 equal installments on the ninth day of each month in the five years following the date of grant, commencing with August 9, 2008. (In accordance with that vesting schedule, options with respect to one-sixtieth of the shares vested on each of August 9, 2008, September 9, 2008, October 9, 2008, November 9, 2008, December 9, 2008, January 9, 2009, February 9, 2009, March 9, 2009 and April 9, 2009.)

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Outstanding Equity Awards at December 31, 2008

The table below sets forth the outstanding equity awards for the named executive officers as of December 31, 2008:

	Option Awards				Stock Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable(1) (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested(2) ($)**	**Equity Incentive Plan Awards: Number of Unearned 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 ($)**
Robert A. Kotick					484,849(3)	4,189,095		
							2,500,000(4)	21,600,000
	9,096,096(5)		1.03	4/18/2010				
	260,562		0.51	5/22/2010				
	635,150(6)		3.27	4/4/2011				
	356,402		2.65	10/1/2011				
	703,296		3.94	4/8/2012				
	2,800,004(7)		3.34	7/22/2012				
	1,200,000		1.77	4/1/2013				
	816,000		1.77	3/31/2013				
	1,350,472(8)		3.87	4/29/2014				
	679,374		6.66	6/20/2015				
	83,364		6.81	4/21/2016				
		262,998(9)	9.57	6/15/2017				
	740,000	2,960,000(10)	13.29	12/1/2017				
Michael J. Griffith					207,684(11)	1,794,390		
					100,000(12)	864,000		
		1,173,332(13)	6.42	6/15/2015				
		311,110(14)	6.42	6/15/2015				
		100,000(15)	6.81	4/21/2016				
		100,000(16)	16.28	7/11/2018				
Thomas Tippl(17)					128,949(18)	1,114,119		
		533,332(19)	7.61	10/3/2015				
		177,778(20)	7.61	10/3/2015				
	106,670	213,332(21)	7.61	10/3/2015				
		80,000(22)	6.81	4/21/2016				
Brian G. Kelly					727,274(23)	6,283,647		
	6,793,996		1.03	4/18/2010				
	1,750,780		3.27	4/4/2011				
	74,118		2.65	10/1/2011				
	703,296		3.94	4/8/2012				
	2,800,000		3.34	7/22/2012				
	1,200,000		1.77	4/1/2013				
	816,000		1.77	3/31/2013				
	1,350,472		3.87	4/29/2014				
	679,374		6.66	6/20/2015				
	83,364		6.81	4/21/2016				
		262,998(9)	9.57	6/15/2017				
Michael Morhaime	50,000	550,000(24)	15.04	7/09/2018				
George L. Rose	56,532		3.75	4/8/2012				
	10,602		3.34	6/24/2012				
	167,112		2.25	11/20/2012				

	17,590		2.11	4/11/2013		
	106,666		4.51	4/15/2014		
	100,001	33,333(25)	5.54	3/30/2015		
	84,000	56,000(22)	6.81	4/21/2016		
	160,000	320,000(26)	10.80	9/28/2017		
Ann E. Weiser					37,500(27)	324,000
	133,334	266,666(28)	10.80	9/28/2017	22,500(29)	194,400

(1)
All exercisable options are currently vested.

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(2) Calculated using the NASDAQ Official Closing Price of $8.64 per share of our Common Stock on December 31, 2008, the last trading day in the nine month period ended December 31, 2008.

(3) One-half of these restricted share units vest on each of December 31, 2009 and 2010.

(4) These performance shares vest in accordance with Mr. Kotick's employment agreement with us. See "Employment Agreements Robert A. Kotick and Brian G. Kelly Kotick Employment Agreement" below.

(5) As a result of Mr. Kotick's transfer by gift, options with respect to 488,270 shares are held by the 8986C Trust, an irrevocable trust for the benefit of Mr. Kotick's minor children, over which Mr. Kotick does not exercise voting or investment power and as to which he disclaims beneficial ownership.

(6) As a result of Mr. Kotick's transfer by gift, options with respect to 350,162 shares are held by the 75260G Trust, a trust for the benefit of Mr. Kotick's minor children, over which Mr. Kotick exercises voting and investment power.

(7) As a result of Mr. Kotick's transfer by gift, options with respect to 547,410 shares are held by the 8986C Trust, an irrevocable trust for the benefit of Mr. Kotick's minor children, over which Mr. Kotick does not exercise voting or investment power and as to which he disclaims beneficial ownership.

(8) As a result of Mr. Kotick's transfer by gift, options with respect to 1,177,172 shares are held by the 75260G Trust, a trust for the benefit of Mr. Kotick's minor children, over which Mr. Kotick exercises voting and investment power.

(9) These options vest in full on June 15, 2009.

(10) These options vest with respect to one-sixtieth of the original grant of options with respect to 3,700,000 shares on the first day of each month in the five years following the date of grant, commencing with January 1, 2008. (In accordance with that vesting schedule, options with respect to approximately 61,667 shares vested on each of January 1, 2009, February 1, 2009, March 1, 2009 and April 1, 2009.)

(11) Restrictions lapse with respect to these shares of restricted stock on June 15, 2009.

(12) These restricted share units vest in full on June 30, 2010.

(13) These options vest in full on June 15, 2009.

(14) These options vest in full on June 15, 2009, subject to possible earlier vesting on a date established by the Compensation Committee if and when it determines that we have met or exceeded the corporate operating income target it established for the nine month period ended December 31, 2008.

(15) These options vest in full on April 1, 2011.

(16) One-third of these options vest on each of July 9, 2009, 2010 and 2011.

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

(18) Restrictions lapse with respect to one-half of these shares of restricted stock on each of October 3, 2009 and 2010.

(19) These options vest in full on October 3, 2010.

(20) These options vest in full on October 3, 2010, subject to possible earlier vesting on May 3, 2009 if the Compensation Committee determines that we have met or exceeded the corporate operating income target it established for the nine month period ended December 31, 2008.

(21) One-half of these options vest on each of October 3, 2009 and 2010.

(22) These options vest in full on April 1, 2010.

(23) These restricted share units vest in full on December 31, 2010.

(24) Options with respect to 10,000 shares vest on the ninth day of each month in the five years following the date of grant, commencing with August 9, 2008. (In accordance with that vesting schedule, options with respect to 10,000 shares vested on each of January 9, 2009, February 9, 2009, March 9, 2009 and April 9, 2009.)

(25) These options vest in full on March 30, 2009. (In accordance with the vesting schedule, the award was fully vested as of March 30, 2009.)

(26) One-half of these options vest on each of March 31, 2009 and 2010. (In accordance with that vesting schedule, options with respect to one-half of the shares vested on March 31, 2009.)

(27) These restricted share units vest in full on March 31, 2010, subject to the possible earlier vesting of one-third of the restricted share units on a date established by the Compensation Committee if and when it determines that we have met or exceeded the corporate operating income target it established for the nine month period ended December 31, 2008.

(28) One-half of these options vest on each of August 31, 2009 and 2010.

(29) These restricted share units vest in full on August 31, 2010, subject to the possible earlier vesting of one-third of the restricted share units on August 31, 2009 if the Compensation Committee determines that we have met or exceeded the corporate operating income target it established for the nine month period ended December 31, 2008.

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Option Exercises and Stock Vested for the Nine Month Period Ended December 31, 2008

The table below sets forth details with respect to the options exercised by, and the shares of restricted stock and restricted share units that vested for, the named executive officers in the nine month period ended December 31, 2008:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Robert A. Kotick			242,425	2,094,552
Michael J. Griffith	1,332,226	13,524,227	103,842	1,784,525
Thomas Tippl(1)	688,888	6,602,547	64,475	808,517
Brian G. Kelly	458,924	7,397,166		
Michael Morhaime				
George L. Rose			12,500	209,313
Ann E. Weiser			7,500	123,075

(1) These securities were held at the time of exercise or vesting, as the case may be, by the Thomas and Laura Tippl Family Trust.

Non-Qualified Deferred Compensation

The table below presents information with respect to Mr. Morhaime's participation in a deferred compensation program that was a continuation of a deferred compensation program at Vivendi Games. In September 2008, we agreed to terminate the program effective January 2009. In January 2009, all deferred amounts were paid out to participating employees, including Mr. Morhaime. See " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Retirement Arrangements" above. None of the other named executive officers participated in a deferred compensation program during the nine month period ended December 31, 2008.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Robert A. Kotick					
Michael J. Griffith					
Thomas Tippl					
Brian G. Kelly					
Michael Morhaime			(837,359)(1)		1,887,262(2)
George L. Rose					
Ann E. Weiser					

(1) This negative amount is not reflected in the compensation to Mr. Morhaime for the nine month period ended December 31, 2008 as reported in the Summary Compensation Table above.

(2) No portion of this amount has been previously reported as compensation to Mr. Morhaime in our Summary Compensation Table for previous years.

The Vivendi Games Executive Deferred Compensation Plan II (the "DCP") constituted an unfunded, non-qualified deferred compensation plan, the purpose of which was to give selected management or highly compensated employees of Vivendi Games the opportunity to save for their retirement or for other long-term goals on a tax-deferred basis. Under the DCP, eligible employees could elect to contribute up to (1) 50% of their base salary to the DCP, less any required tax withholdings and (2) 100% of incentive bonuses and incentive compensation to the DCP, less any required tax withholdings. Contributions by Vivendi Games (or us following the Combination) to the accounts of DCP participants was discretionary. Participants were at all times vested 100% in their DCP accounts. The amount in a participant's DCP account was adjusted for interest, gains and losses allocated to his or her account based on the participant's investment elections.

Employment Agreements

We believe that, to attract and retain the executive talent necessary to lead us, we should enter into an employment agreement with each of our executive officers. 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, other than 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.

Robert A. Kotick and Brian G. Kelly

On December 1, 2007, we entered into an amended and restated employment agreement with Robert A. Kotick, pursuant to which Mr. Kotick serves as our President and Chief Executive Officer. The employment agreement with Mr. Kotick is referred to in this proxy statement as the "Kotick employment agreement." Also on December 1, 2007, we entered into an amended and restated employment agreement with Brian G. Kelly, pursuant to which Mr. Kelly serves as the Co-Chairman of our Board. The employment agreement with Mr. Kelly is referred to in this proxy statement as the "Kelly employment agreement." We also entered into replacement bonus agreements with Messrs. Kotick and Kelly on December 1, 2007.

Both the Kotick employment agreement and the Kelly employment agreement superseded and replaced the previous employment agreements between us and each of Messrs. Kotick and Kelly, dated May 22, 2000, which were scheduled to expire on March 31, 2008. Pursuant to their amended and restated employment agreements and the replacement bonus agreements, each of Messrs. Kotick and Kelly agreed to waive certain benefits they would have been entitled to receive under the prior employment agreements in connection with the consummation of a change of control of Activision, Inc., the definition of which would have included the Combination. The waived benefits include the right to (1) elect to receive a cash payment in respect of all stock options held by Messrs. Kotick and Kelly equal to (as to each share of our Common Stock subject to such stock options) the excess of the closing price of our Common Stock on the date of the consummation of a change of control over the option exercise price, (2) accelerated vesting on the date of the consummation of a change of control of the stock options granted in June 2007 (to the extent not already vested), (3) resign for any reason during the six-month period following the three month anniversary of the consummation of a change of control and receive severance of five times the sum of their base salary and most recent annual bonus, as well as a pro-rata annual bonus for the year of resignation and two years of health insurance continuation, and (4) enter into a four-year consulting arrangement with us in the event of a termination by us other than upon death or disability or upon a resignation not in connection with a change of control.

Kotick Employment Agreement

Mr. Kotick's term of employment under his employment agreement began on December 1, 2007 and will end on December 31, 2012.

Pursuant to the agreement, Mr. Kotick's annual base salary was $950,000 on December 1, 2007 and was and will be increased automatically on January 1 of each year for the term of the agreement,

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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 such year, excluding any increases guaranteed by contract or due to an executive's significant promotion or modification in duties. For more information about Mr. Kotick's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above. Mr. Kotick is also entitled to receive an annual bonus, with a target amount of 200% of his base salary, the actual amount of which will be determined by the Compensation Committee based on his achievement of mutually agreed objectives and his overall performance and our financial performance, and the form of which will be determined by the Compensation Committee in its sole discretion. For more information about performance-based bonuses, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 2008 Achievement of Performance Goals and Payouts" above. In addition, the Compensation Committee, in its sole discretion, may award Mr. Kotick a performance bonus at any time in such amount and in such form as the Compensation Committee may determine. Mr. Kotick is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain an $8.55 million supplemental term life insurance policy for the benefit of his estate for a period of 10 years from the effective date of the Kotick employment agreement.

As an inducement to enter into the Kotick employment agreement, Mr. Kotick received an option to purchase 3,700,000 shares of our Common Stock. In addition, upon the consummation of the Combination, Mr. Kotick received a grant of 2,500,000 performance shares, which will vest in 20% increments on each of the first, second, third and fourth anniversaries of the consummation of the Combination, with another 20% to vest on the last day of the term of Mr. Kotick's agreement, in each case subject to our attaining the compound annual total stockholder return target specified in the Kotick employment agreement for that vesting period. If we do not achieve the performance target for a vesting period, none of Mr. Kotick's performance shares mentioned above will vest for that vesting period. If, however, we later achieve a performance target for a subsequent vesting period, then all of the unvested performance shares relating to prior vesting periods will vest on such subsequent vesting date.

The Kotick employment agreement also provided that all stock options granted to Mr. Kotick prior to January 1, 2007 would vest in full upon the consummation of the Combination. As a result, options to purchase 300,000 shares of our Common Stock that would otherwise have vested on April 10, 2010 vested on July 9, 2008.

Kelly Employment Agreement

Mr. Kelly's term of employment under his employment agreement began on December 1, 2007 and will end on March 31, 2011.

Pursuant to the agreement, beginning on April 1, 2008 and for the duration of the term of the agreement, Mr. Kelly is entitled to an annual base salary of $450,000, with annual increases at the discretion of the Compensation Committee. For more information about Mr. Kelly's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above. Mr. Kelly is not entitled to an annual bonus under his employment agreement unless otherwise determined by the Compensation Committee in its sole discretion. Mr. Kelly is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain a $6 million supplemental term life insurance policy for the benefit of his estate through the term of his employment.

In addition, the Kelly employment agreement provided that all stock options granted to Mr. Kelly prior to January 1, 2007 would vest in full upon the consummation of the Combination. As a result, options to purchase 300,000 shares of Common Stock that would otherwise have vested on April 10, 2010 vested on July 9, 2008.

Replacement Bonus Agreements

Messrs. Kotick's and Kelly's prior employment agreements provided for the payment of certain benefits upon a change of control of Activision, Inc. On December 29, 2006, these agreements were amended to remove certain of those benefits that may have imposed adverse tax consequences on Messrs. Kotick and Kelly under Section 409A of the Internal Revenue Code. In connection with these amendments, the parties agreed to negotiate in good faith to develop benefits reasonably comparable to those forgone by Messrs. Kotick and Kelly under their prior employment agreements.

As a result of those negotiations, on December 1, 2007, we entered into replacement bonus agreements with each of Messrs. Kotick and Kelly providing for cash bonuses and an equity incentive award to each of Messrs. Kotick and Kelly. The first cash bonus of $5,000,000 was paid in a lump sum on December 28, 2007. The second cash bonus of $5,000,000 and the grant of 727,274 restricted share units were each contingent upon the occurrence of a change of control on or prior to June 30, 2009. The bonus was paid in a lump sum, and the equity award was granted, to each upon the consummation of the Combination.

Michael J. Griffith

Michael J. Griffith is party to an employment agreement with Activision Publishing, pursuant to which he serves as its President and Chief Executive Officer. Mr. Griffith's initial term of employment under the agreement began on June 15, 2005 and will expire on June 30, 2010. Activision Publishing has the option to extend that term for an additional period of up to three years if Mr. Griffith's total compensation exceeds $40 million during the initial term, where "total compensation" consists of his cumulative base salary, cumulative annual bonuses, realized and unrealized gains from all vested options issued to him, the market value of all restricted shares of our Common Stock issued to him that have vested and the amounts realized by him from the sale of any such vested shares. As of December 31, 2008, Mr. Griffith's total compensation as calculated under his employment agreement had not met the specified threshold.

Pursuant to the agreement, Mr. Griffith's annual base salary was $600,000 on July 15, 2005 and was and will be increased automatically on July 1 of each year for the term of the agreement by 8% (or such higher amount as may be determined by the Board or the Compensation Committee in its sole discretion). For more information about Mr. Griffith's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above. Mr. Griffith is also eligible for an annual bonus, with a target amount of 100% of his base salary, the actual amount of which will be determined by our Board or the Compensation Committee in its sole discretion based on his achievement of mutually agreed objectives and his overall performance and our financial performance, and the form of which will be determined by the Compensation Committee in its sole discretion. For more information about performance-based bonuses, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 2008 Achievement of Performance Goals and Payouts" above. Mr. Griffith is also entitled to participate in all benefit plans generally available to our senior executive officers.

In order to attract and retain Mr. Griffith, we provided him with a guaranteed minimum level of compensation over the term of his employment agreement. The agreement provides that if, on May 15, 2010, Mr. Griffith's total compensation (calculated in the manner described above) plus any severance payments received by him has not exceeded $20 million, Activision Publishing will pay Mr. Griffith the shortfall. Activision Publishing is required to make this shortfall payment whether or not Mr. Griffith is then employed by Activision Publishing, unless Mr. Griffith's employment is terminated by Activision Publishing for cause or performance failure or due to his death or disability or Mr. Griffith terminates his employment other than for good reason. As of December 31, 2008, Mr. Griffith's total compensation (as calculated in the manner described above) exceeded $20 million.

As an inducement to enter into his employment agreement, Mr. Griffith was reimbursed for certain relocation costs and incremental income taxes resulting therefrom and received an aggregate of $300,000 in mortgage assistance during the first three years of his term.

In recognition of Mr. Griffith's contributions with respect to the Combination and to provide Mr. Griffith with additional incentives to deliver superior results in connection with the integration of our business with that of Vivendi Games, on December 1, 2007, we entered into an amendment to Mr. Griffith's employment agreement which became effective upon the consummation of the Combination. Pursuant to the amendment, upon the consummation of the Combination, Mr. Griffith received 100,000 stock options.

In addition, the amendment reduced the vesting period of the equity awards granted to Mr. Griffith in connection with the commencement of his employment pursuant to his employment agreement. In June 2005, Mr. Griffith received options to purchase 2,666,668 shares of our Common Stock as an inducement to enter into the agreement, which were granted in three tranches. The first tranche, consisting of options to purchase 933,334 shares of our Common Stock that originally vested ratably over five years beginning on June 15, 2006, was amended to provide that the options which were scheduled to vest on June 15, 2010 will vest on June 15, 2009 (in addition to the options already scheduled to vest on that date). The second tranche, consisting of options to purchase 933,334 shares of our Common Stock, was amended to provide that those options vest in full on June 15, 2009, subject to possible earlier vesting if Mr. Griffith were to attain certain performance objectives, rather than vesting in full on June 15, 2010, subject to such possible earlier vesting. The third tranche, consisting of options to purchase 800,000 shares of our Common Stock, was amended to provide that those options vest in full on June 15, 2009 rather than June 15, 2010. Mr. Griffith also received 311,526 restricted shares in June 2005 in consideration for abandoning certain long-term compensation, pension benefits and related equity participations with his prior employer. The restricted shares were to vest in three equal annual installments on June 15, 2008, June 15, 2009 and June 15, 2010 and were amended so that the shares which were scheduled to vest on June 15, 2010 will vest on June 15, 2009 (in addition to the shares already scheduled to vest on that date).

Thomas Tippl

Thomas Tippl is party to an employment agreement with Activision Publishing, which was originally dated September 9, 2005 and most recently amended, and assigned to us, in April 2009. Under the employment agreement, Mr. Tippl served as Chief Financial Officer of Activision Publishing until the consummation of the Combination and currently serves as our Chief Corporate Officer and Chief Financial Officer. Mr. Tippl's initial term of employment under the agreement began on October 1, 2005 and the original expiration date under the agreement was September 30, 2010. Prior to the 2009 amendment of the agreement, Activision Publishing had the option to extend his term for an additional period of up to three years if Mr. Tippl's total compensation exceeded $15 million during the initial term, where "total compensation" consisted of his cumulative base salary, cumulative annual bonuses, realized and unrealized gains from all vested options issued to him, the market value of all restricted shares of our Common Stock issued to him that have vested and the amounts realized by him from the sale of any such vested shares. As of December 31, 2008, Mr. Tippl's total compensation as calculated under his employment agreement had not met the specified threshold. As amended, Mr. Tippl's term of employment will expire on April 15, 2014 (and we will not be able to unilaterally extend that term).

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Pursuant to the agreement, Mr. Tippl's annual base salary was $450,000 on October 1, 2005 and was to be increased automatically on October 1 of each year for the term of the agreement by at least 4% (or such higher amount as may be determined by the Board or the Compensation Committee in its sole discretion). As amended, the agreement provides that Mr. Tippl's annual base salary is $750,000 as of February 15, 2009 and will be automatically increased on February 15 of each year for the term of the agreement 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 such year, excluding any increases guaranteed by contract or due to an executive's significant promotion or modification in duties. For more information about Mr. Tippl's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above.

Mr. Tippl is also eligible for an annual bonus. Prior to the 2009 amendment, the target amount of such bonus was 75% of his base salary and his current target is 100% of his base salary. The actual amount of any bonus will be determined by our Board or the Compensation Committee in its sole discretion based on his achievement of mutually agreed objectives and his overall performance and our financial performance, and the form of any such bonus will be determined by the Compensation Committee in its sole discretion. For more information about performance-based bonuses, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 2008 Achievement of Performance Goals and Payouts" above. Mr. Tippl is also entitled to participate in all benefit plans generally available to our senior executive officers. Prior to the 2009 amendment to the agreement, we were required to maintain a $2 million supplemental term life insurance policy for the benefit of his estate through the term of his employment, which we have agreed to increase to $3 million as part of the 2009 amendment.

As an inducement to enter into the employment agreement in 2005, in connection with the commencement of his employment Mr. Tippl was paid a signing bonus of $100,000 and granted an option to purchase 1,600,000 shares of our Common Stock. In addition, in consideration for abandoning certain long-term compensation, pension benefits and related equity participations with his prior employer, in connection with the commencement of his employment Mr. Tippl was granted 193,424 restricted shares of our Common Stock. Pursuant to his agreement prior to the 2009 amendment, Mr. Tippl was also reimbursed for certain relocation costs and incremental income taxes resulting therefrom and was entitled to an aggregate of $420,000 in mortgage assistance during his initial term (as well as reimbursement for incremental taxes resulting from such payments for the first three years of such assistance). However, pursuant to the amendment, effective February 15, 2009 Mr. Tippl will no longer receive mortgage assistance.

As an inducement to enter into the 2009 amendment to the employment agreement, the amendment provides for a grant of an option to purchase 1,200,000 shares of our Common Stock that vests annually over five years, a grant of 150,000 restricted shares that vest annually over five years and 80,000 performance shares that vest on February 15, 2010 subject to our attaining a specified non-GAAP earnings per share target.

Michael Morhaime

Except as otherwise stated below, the following description of Mr. Morhaime's employment agreement reflects the terms of the agreement as in effect as of December 31, 2008 (the "Current Morhaime Agreement"). For a description of the amendment to Mr. Morhaime's employment agreement that we entered into with Mr. Morhaime on November 4, 2009, pursuant to which certain of the terms described below will be amended effective as of January 1, 2010 (subject to Mr. Morhaime's continued employment with us through that date), please see " Compensation Discussion and Analysis Recent Events" above.

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As of December 31, 2008, Michael Morhaime was party to the Current Morhaime Agreement with us, pursuant to which he serves as the President and Chief Executive Officer of Blizzard Entertainment. The Current Morhaime Agreement became effective on July 9, 2008 and Mr. Morhaime's term thereunder will expire on July 31, 2013. The Current Morhaime Agreement was amended on March 31, 2009, and again on November 4, 2009 (as described above in "Executive Compensation Compensation Discussion and Analysis Recent Events").

Pursuant to the Current Morhaime Agreement, Mr. Morhaime's annual base salary was $475,000 on July 9, 2008. As amended in March 2009, the agreement provides for an annual base salary of $520,000 commencing on March 31, 2009, with automatic increases on March 1 of each year by the greatest of (1) 5%, (2) the percentage increase in the consumer price index during the immediately preceding 12 months for Irvine, California as determined by the U.S. Department of Labor, Bureau of Labor Statistics, and (3) such merit increase as is approved by our Board. For more information about Mr. Morhaime's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above. For a description of the November 2009 changes to Mr. Morhaime's annual base salary and the automatic annual increase provisions of his employment agreement, see " Compensation Discussion and Analysis Recent Events" above.

Mr. Morhaime is also eligible for an annual bonus with a target amount of 75% of his base salary and a maximum amount of 150% of his base salary. Ten percent of any such bonus will be based on our financial performance and 90% of such bonus will be based on his achievement of mutually agreed objectives and his overall performance and Blizzard Entertainment's financial performance. The Current Morhaime Agreement provides that the amount of the bonus will be at least 37.5% of Mr. Morhaime's base salary at the time his annual incentive plan payment is made but will otherwise be in our discretion. For more information about performance-based bonuses, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 2008 Achievement of Performance Goals and Payouts" above. For a description of the November 2009 changes to Mr. Morhaime's annual bonus arrangements, see " Compensation Discussion and Analysis Recent Events" above.

Mr. Morhaime is also eligible to participate in the Blizzard Bonus Plan, under which his target annual incentive is 50% of his base salary and he is eligible to receive a payout of up to 150% of his base salary. The Current Morhaime Agreement provides that the amount of the payout will be at least 25% of Mr. Morhaime's base salary at the time the bonus is paid but will otherwise be in our Chief Executive Officer's discretion. For a description of the November 2009 changes to Mr. Morhaime's annual incentive compensation opportunities under the Blizzard Bonus Plan, see " Compensation Discussion and Analysis Recent Events" above.

Prior to the March 2009 amendment to the Current Morhaime Agreement, Mr. Morhaime was also eligible to participate in the Blizzard Profit Sharing Plan. The Current Morhaime Agreement provided that Mr. Morhaime would be entitled to a minimum percentage of the profit sharing pool, but that the amount to which he is entitled under this plan (if any) would otherwise be in our Chief Executive Officer's discretion. Under the March 2009 amendment to the Current Morhaime Agreement, Mr. Morhaime will no longer participate directly in the Blizzard Profit Sharing Plan, but instead is entitled to performance-based cash compensation on an annual basis pursuant to our 2008 Plan (or any successor plan) based on a share of the earnings generated by our Blizzard Entertainment business. Mr. Morhaime will be entitled to a specified percentage of the profit sharing pool but the Compensation Committee may exercise negative discretion with respect to his actual annual percentage interest in the profit sharing pool (subject to a specified minimum percentage). For more information about the Blizzard Bonus Plan and the Blizzard Profit Sharing Plan, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31,

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2008 Other Annual Incentive Plan and Bonus Programs for the Nine Month Period Ended December 31, 2008" 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).

As an inducement to enter into the Current Morhaime Agreement, in connection with the commencement of his employment Mr. Morhaime was granted an option to purchase 600,000 shares of our Common Stock in July 2008. In addition, the Current Morhaime Agreement provides that we will, beginning in 2009, recommend to the Compensation Committee that Mr. Morhaime receive a grant of an option to purchase 200,000 shares of our Common Stock once per year during each year of the term of his agreement to the extent awards are being made to our other senior executives during that year. No such grant was made in 2008. Mr. Morhaime was entitled to reimbursement of any legal fees he incurred in connection with the negotiation of his agreement. He also receives an annual stipend to reimburse him for his personal financial, accounting, tax and legal services and is entitled to participate in our executive auto allowance program.

George L. Rose

The following description of Mr. Rose's employment agreement reflects the terms of the agreement as in effect as of December 31, 2008 (the "Current Rose Agreement"). For a description of the employment agreement we entered into with Mr. Rose as of September 11, 2009, which will become effective as of January 1, 2010 (subject to Mr. Rose's continued employment with us through that date), pursuant to which he will serve as our Executive Vice President and Chief Public Policy Officer, please see " Compensation Discussion and Analysis Recent Events" above.

As of December 31, 2008, George L. Rose was party to the Current Rose Agreement with Activision Publishing, pursuant to which he served as the Chief Legal Officer of Activision Publishing until the consummation of the Combination and thereafter as our Chief Legal Officer. Mr. Rose's term of employment under the Current Rose Agreement began on April 1, 2007 and will end on March 31, 2010.

Pursuant to the Current Rose Agreement, Mr. Rose's annual base salary was $475,000 on April 1, 2007 and was and will be increased automatically on April 1 of each year for the term of the Current Rose Agreement by at least 4% (or such higher amount as may be determined by the Board or the Compensation Committee in its sole discretion). For more information about Mr. Rose's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above.

Mr. Rose is also eligible for an annual bonus with a target amount of 75% of his base salary, the actual amount of which will be determined by the Compensation Committee in its sole discretion based on his achievement of mutually agreed objectives and his overall performance and our financial performance. For more information about performance-based bonuses, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 2008 Achievement of Performance Goals and Payouts" above. Mr. Rose is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain a $2 million supplemental term life insurance policy for the benefit of his estate through the term of his employment.

As an inducement to enter into the Current Rose Agreement, Mr. Rose was granted (1) an option to purchase 480,000 shares of our Common Stock and (2) 50,000 restricted share units.

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Ann E. Weiser

Ann E. Weiser is party to an employment agreement with Activision Publishing, pursuant to which she served as the Chief Human Resources Officer of Activision Publishing until the consummation of the Combination and she currently serves as our Chief Human Resources Officer. Ms. Weiser's term of employment under the agreement began on September 10, 2007 and will end on August 31, 2010.

Pursuant to the agreement, Ms. Weiser's annual base salary was $475,000 on September 10, 2007 and was and may be increased on September 1 of each year for the term of the agreement by whatever amount our Board or the Compensation Committee determines is appropriate. For more information about Ms. Weiser's base salary, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 Salary Analysis" above.

Ms. Weiser is also eligible for an annual bonus with a target amount of 75% of her base salary, the actual amount of which will be determined by the Compensation Committee in its sole discretion based on her achievement of mutually agreed objectives and her overall performance and our financial performance. For more information about performance-based bonuses, see " Compensation Discussion and Analysis Elements of Compensation Program for the Nine Month Period Ended December 31, 2008 2008 Achievement of Performance Goals and Payouts" above. Ms. Weiser is also entitled to participate in all benefit plans generally available to our senior executive officers and we are required to maintain a $2 million supplemental term life insurance policy for the benefit of her estate through the term of her employment.

As an inducement to enter into the employment agreement, in connection with the commencement of her employment Ms. Weiser was (1) paid a signing bonus of $100,000, (2) granted an option to purchase 400,000 shares of our Common Stock, and (3) granted 30,000 restricted share units. Pursuant to her agreement, Ms. Weiser also received an aggregate of $132,000 to cover certain relocation costs and was reimbursed for incremental income taxes resulting therefrom and is entitled to an aggregate of $72,000 in mortgage assistance during her term (and to be reimbursed for incremental taxes resulting from such payments).

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Potential Payments upon Termination or Change of Control

The table below describes the compensation payable to the named executive officers upon termination or change of control. The calculations assume that each of these events occurred on December 31, 2008.

Name and Type of Payment/Benefit		Death(1)	Disability(1)	Termination by Activision Blizzard For Cause or Performance Termination(2)	Termination by Activision Blizzard Without Cause or Termination by Employee for Good Reason(3)	Change of Control(4)	Termination by Activision Blizzard Without Cause or Termination by Employee for Good Reason After Change of Control(3)(4)
Robert A. Kotick							
	2008 bonus(5)	$ 2,320,396	$ 2,320,396	$	$ 2,320,396	$	$ 2,320,396
	Lump-sum payment		950,000		5,700,000		8,550,000
	Benefits continuation(6)	17,500	48,925		48,925		48,925
	Value of accelerated equity awards(7)	8,509,095	8,509,095		8,509,095	12,960,000	4,189,095
	Value of accelerated contingent equity awards(7)	1,848,411	1,848,411		1,848,411		
	Excise tax gross-up						
	Total	$ 12,695,402	$ 13,676,827	$	$ 18,426,827	$ 12,960,000	$ 15,108,417
Brian G. Kelly							
	2008 bonus(5)	$ 2,257,679	$ 2,257,679	$	$ 2,257,679	$	$ 2,257,679
	Lump-sum payment		799,106		7,301,960		7,301,960
	Benefits continuation(6)	17,500	21,460		21,460		21,460
	Value of accelerated equity awards(7)	6,283,647	6,283,647		6,283,647		6,283,647
	Excise tax gross-up						
	Total	$ 8,558,826	$ 9,361,892	$	$ 15,864,746	$	$ 15,864,746
Michael J. Griffith							
	2008 bonus(5)	$ 438,529	$ 438,529	$ 438,529	$ 438,529	$	$ 438,529
	Lump-sum payment	2,058,000	2,058,000				
	Salary continuation			597,240	597,240		597,240
	Bonus continuation			1,956,509	1,956,509		1,956,509
	Benefits continuation(6)	17,500	17,500		114,229		114,229
	Value of accelerated	2,184,026					

	equity awards(7)						
	Total	$ 4,698,055	$ 2,514,029	$ 2,992,278	$ 3,106,507	$	$ 3,106,507
Thomas Tippl							
	2008 bonus(5)	$ 327,531	$ 327,531	$	$ 327,531	$	$ 327,531
	Lump-sum payment	1,450,155	1,450,155				
	Salary continuation				957,650		957,650
	Benefits continuation(6)	19,807	19,807				
	Mortgage assistance continuation			147,000	147,000		147,000
	Value of accelerated equity awards(7)	1,421,336	942,936	942,936			
	Total	$ 3,218,829	$ 2,740,429	$ 1,089,936	$ 1,432,181	$	$ 1,432,181

Michael Morhaime

44.5

Rental expenses	—	24.3	—	—	24.3
Financing expenses	—	—	—	—	—
General and administrative	9.2	24.5	0.3	—	34.0
Interest expense	25.0	0.3	—	—	25.3
Amortization of intangible assets	—	3.1	—	—	3.1
Impairment and closure	—	0.7	0.1	—	0.8
Gain on disposition of assets	—	(0.1)	(0.3)	—	(0.3)
Loss on extinguishment of debt	—	—	—	—	—
Debt modification costs	1.3	—	—	—	1.3
Intercompany dividend	(39.8)	—	—	39.8	—
Income (loss) before income taxes	4.2	65.7	0.1	(39.8)	30.2
Benefit (provision) for income taxes	14.1	(26.0)	—	—	(12.0)
Net (loss) income	$ 18.2	$ 39.7	$0.1	$ (39.8)	$ 18.2

Total comprehensive income	$ 18.2	$ 39.7	$0.1	$ (39.8)	$ 18.2

Supplemental Condensed Consolidating Statement of Income and Comprehensive Income
For the Three Months Ended March 31, 2012
(In millions[1])

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Revenues					
Franchise and restaurant revenues	$0.6	$208.4	$0.3	$—	$209.3
Rental revenues	—	32.0	—	—	32.0
Financing revenues	—	4.3	—	—	4.3
Total revenue	0.6	244.7	0.3	—	245.6
Franchise and restaurant expenses	0.6	111.2	—	—	111.8
Rental expenses	—	24.5	—	—	24.5
Financing expenses	—	0.7	—	—	0.7
General and administrative	7.1	32.1	0.5	—	39.6
Interest expense	27.4	2.8	—	—	30.2
Amortization of intangible assets	—	3.1	—	—	3.1
Impairment and closure	—	0.4	0.3	—	0.7
Gain on disposition of assets	—	(16.4)	(0.3)	—	(16.7)
Loss on extinguishment of debt	2.6	—	—	—	2.6
Intercompany dividend	(54.1)	—	—	54.1	—
Income (loss) before income taxes	17.0	86.3	(0.2)	(54.1)	49.0
Benefit (provision) for income taxes	14.3	(32.0)	—	—	(17.7)
Net (loss) income	$31.3	$54.3	$(0.2)	$(54.1)	$31.3
Total comprehensive income	$31.3	$54.5	$(0.2)	$(54.1)	$31.5

[1] Supplemental statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

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DineEquity, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Supplemental Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2013
(In millions[(1)])

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Cash flows provided by (used in) operating activities	$(14.5)	$85.5	$0.2	—	$71.2
Investing cash flows:					
Additions to property and equipment	(0.9)	(0.6)	—	—	(1.5)
Principal receipts from long-term receivables	—	—	—	—	3.8
Proceeds from sale of assets	—	3.8	—	—	—
Other	—	0.1	—	—	0.1
Cash flows provided by (used in) investing activities	(0.9)	3.3	—	—	2.4
Financing cash flows:					
Payment of debt	(1.2)	(2.5)	—	—	(3.7)
Payment of debt modification costs	(1.3)	—	—	—	(1.3)
Purchase of common stock	—	—	—	—	—
Dividends paid on common stock	(14.5)	—	—	—	(14.5)
Restricted cash	—	(2.7)	—	—	(2.7)
Other	1.3	0.1	—	—	1.4
Intercompany transfers	74.0	(74.0)	—	—	—
Cash flows provided by (used in) financing activities	58.2	(79.0)	—	—	(20.8)
Net change	42.9	9.7	0.2	—	52.8
Beginning cash and equivalents	9.9	54.0	0.6	—	64.5
Ending cash and equivalents	$52.8	$63.7	$0.9	—	$117.4

Supplemental Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2012
(In millions[(1)])

	Parent	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations and Reclassification	Consolidated
Cash flows provided by (used in) operating activities	$(15.0)	$59.8	$(0.1)	—	$44.7
Investing cash flows:					
Additions to property and equipment	(1.3)	(2.8)	—	—	(4.1)
Principal receipts from long-term receivables	—	3.4	—	—	3.4

Proceeds from sale of assets	—	21.4	—	—	21.4
Other	—	0.7	—	—	0.7
Cash flows provided by (used in) investing activities	(1.3)	22.7	—	—	21.4
Financing cash flows:					
Payment of debt	(76.0)	(3.0)	—	—	(79.0)
Restricted cash	—	(2.6)	—	—	(2.6)
Other	3.1	0.4	—	—	3.6
Intercompany transfers	87.0	(87.5)	0.5	—	—
Cash flows provided by (used in) financing activities	14.1	(92.7)	0.5	—	(78.1)
Net change	(2.2)	(10.2)	0.4	—	(12.0)
Beginning cash and equivalents	9.9	50.4	0.4	—	60.7
Ending cash and equivalents	$7.7	$40.2	$0.8	—	$48.7

(1) Supplemental statements presented in millions may not foot/crossfoot due to rounding from Consolidated Statements presented in thousands.

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

Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan” and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading “Risk Factors” in our most recent Annual Report on Form 10-K, as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the United States Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and the Company assumes no obligation to update or supplement any forward-looking statements.

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the consolidated financial statements and the related notes that appear elsewhere in this report.

Overview

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Except where the context indicates otherwise, the words “we,” “us,” “our” and the “Company” refer to DineEquity, Inc., together with its subsidiaries that are consolidated in accordance with United States generally accepted accounting principles (“U.S. GAAP”).

Through various subsidiaries we own, franchise and operate two restaurant concepts: Applebee's Neighborhood Grill & Bar® (“Applebee's”), in the bar and grill segment of the casual dining category of the restaurant industry, and International House of Pancakes® (“IHOP®”), in the family dining category of the restaurant industry. References herein to Applebee's and IHOP restaurants are to these two restaurant concepts, whether operated by franchisees, area licensees or the Company.

Domestically, Applebee's restaurants are located in every state except Hawaii, while IHOP restaurants are located in all 50 states and the District of Columbia. Internationally, Applebee's restaurants are located in one United States territory and 15 foreign countries; IHOP restaurants are located in two United States territories and seven foreign countries. With over 3,600 franchised and company-operated restaurants combined, we believe we are one of the largest full-service restaurant companies in the world.

Key Performance Indicators

In evaluating and assessing the performance of our business, we consider our key performance indicators to be: (i) the percentage change in domestic system-wide same-restaurant sales; (ii) net franchise restaurant development; (iii) consolidated cash from operations; and (iv) consolidated free cash flow. An overview of these metrics for the three months ended March 31, 2013 is as follows:

	Applebee's	IHOP

Percentage change in domestic system-wide same-restaurant sales	(1.3)%	(0.5)%
Net franchise restaurant development[1]	(3)	8

(1) Franchise and area license openings, net of closings

We consider consolidated cash from operations and consolidated free cash flow (cash provided by operating activities, plus receipts from notes, equipment contracts and other long-term receivables, less dividends paid and additions to property and equipment) to be key indicators of consolidated performance. Consolidated cash from operations and consolidated free cash flow for the three months ended March 31, 2013 were $71.2 million and $59.0 million, respectively.

Additional information on each of our key performance indicators is presented under the captions "Restaurant Data," "Restaurant Development Activity," and "Liquidity and Capital Resources" that follow.

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Capital Allocation Strategy

On February 26, 2013, our Board of Directors approved a capital allocation strategy that incorporates the return of a significant portion of our cash flow to our stockholders. The Board of Directors approved the payment of a first quarter cash dividend of $0.75 per share of our common stock, paid at the close of business on March 29, 2013 to the stockholders of record as of the close of business on March 15, 2013. The Board of Directors also approved a stock repurchase authorization of up to $100 million of our common stock, replacing the previously announced $45 million authorization, pursuant to which $21.2 million of common stock had been repurchased. As of March 31,2013 we may repurchase an additional $100 million of common stock under the new authorization.

Restaurant Data

The following table sets forth, for the three months ended March 31, 2013 and 2012, the number of effective restaurants in the Applebee's and IHOP systems and information regarding the percentage change in sales at those restaurants compared to the same periods in the prior year. "Effective restaurants" are the number of restaurants in a given period, adjusted to account for restaurants open for only a portion of the period. Information is presented for all effective restaurants in the Applebee's and IHOP systems, which includes restaurants owned by the Company, as well as those owned by franchisees and area licensees. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are generally based on a percentage of their sales, and, where applicable, rental payments under leases that are usually based on a percentage of their sales. Management also uses this information to make decisions about future plans for the development of additional restaurants as well as evaluation of current operations.

—	Three Months Ended March 31,							
	2013		2012		2013		2012	
	Applebee's (unaudited)				IHOP			
Restaurant Data								
Effective restaurants[a]								
Franchise	2,006		1,855		1,408		1,374	
Area license	—		—		167		164	
Company	23		163		12		13	
Total	2,029		2,018		1,587		1,551	
System-wide[b]								
Sales percentage change[c]	(0.4	)%	1.7	%	2.4	%	2.9	%
Domestic same-restaurant sales percentage change[d]	(1.3	)%	1.2	%	(0.5	)%	(0.5	)%
Franchise[b][e]								
Sales percentage change[c]	7.2	%	7.2	%	2.3	%	2.8	%
Domestic same-restaurant sales percentage change[d]	(1.2	)%	1.0	%	(0.5	)%	(0.5	)%
Average weekly domestic unit sales (in thousands)	$49.3		$50.1		$34.9		$35.0	
Area License [b]								
Sales percentage change[c]	—		—		4.1	%	3.4	%

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(a) "Effective restaurants" are the number of restaurants in a given fiscal period adjusted to account for restaurants open for only a portion of the period. Information is presented for all effective restaurants in the Applebee's and IHOP systems, which includes restaurants owned by the Company as well as those owned by franchisees and area licensees.

(b) "System-wide" sales are retail sales at Applebee's restaurants operated by franchisees and IHOP restaurants operated by franchisees and area licensees, as reported to the Company, in addition to retail sales at company-operated restaurants. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. Unaudited reported sales for Applebee's domestic franchise restaurants, IHOP franchise restaurants and IHOP area license restaurants for the three months ended March 31, 2013 and 2012 were as follows:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Reported sales (unaudited)		
Applebee's franchise restaurant sales	$1,191.5	$1,111.5
IHOP franchise restaurant sales	$639.3	$624.9
IHOP area license restaurant sales	$64.9	$62.3

(c) "Sales percentage change" reflects, for each category of restaurants, the percentage change in sales in any given fiscal period compared to the prior fiscal period for all restaurants in that category.

(d) "Domestic same-restaurant sales percentage change" reflects the percentage change in sales, in any given fiscal period, compared to the same weeks in the prior year for domestic restaurants that have been operated throughout both fiscal periods that are being compared and have been open for at least 18 months. Because of new unit openings and restaurant closures, the domestic restaurants open throughout both fiscal periods being compared may be different from period to period. Same-restaurant sales percentage change does not include data on IHOP area license restaurants located in Florida.

(e) The sales percentage change for the three months ended March 31, 2013 and 2012 for Applebee's franchise restaurants was impacted by the refranchising of 154 company-operated restaurants during 2012.

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Restaurant Development Activity

The following table summarizes Applebee's restaurant development and franchising activity:

	Three Months Ended March 31,	
	2013	2012
	(unaudited)	
Applebee's Restaurant Development Activity		
Beginning of period	2,034	2,019
New openings:		
Franchise	2	6
Total new openings	2	6
Closings:		
Franchise	(5)	(4)
Total closings	(5)	(4)
End of period	2,031	2,021
Summary - end of period		
Franchise	2,008	1,861
Company	23	160
Total	2,031	2,021
Restaurant Franchising Activity		
Domestic franchise openings	2	1
International franchise openings	—	5
Refranchised	—	17
Total restaurants franchised	2	23
Closings:		
Domestic franchise	(3)	(2)
International franchise	(2)	(2)
Total franchise closings	(5)	(4)
Net franchise restaurant (reductions) additions	(3)	19

In 2013, we expect Applebee's franchisees to open a total of 40 to 50 new restaurants, approximately half of which are expected to be opened domestically. We currently do not plan to open any Applebee's company-operated restaurants. The actual number of openings may differ from both our expectations and development commitments due to various factors, including economic conditions, franchisee access to capital, and the impact of currency fluctuations on our international franchisees. The timing of new restaurant openings also may be affected by various factors including weather-related and other construction delays and difficulties in obtaining regulatory approvals.

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The following table summarizes IHOP restaurant development and franchising activity:

	Three Months Ended March 31,	
	2013	2012
	(unaudited)	
IHOP Restaurant Development Activity		
Beginning of period	1,581	1,550
New openings:		
Franchise	10	10
Area license	2	—
Total new openings	12	10
Closings:		
Franchise	(4)	(5)
Area license	—	(1)
Total closings	(4)	(6)
End of period	1,589	1,554
Summary - end of period		
Franchise	1,410	1,377
Area license	167	165
Company	12	12
Total	1,589	1,554
Restaurant Franchising Activity		
Domestic franchise openings	8	9
International franchise openings	2	1
Area license openings	2	—
Refranchised	—	3
Total restaurants franchised	12	13
Closings:		
Domestic franchise	(4)	(5)
Area license	—	(1)
Total franchise closings	(4)	(6)
Reacquired by the Company	—	—
Net franchise restaurant additions	8	7

In 2013, we expect IHOP franchisees to open a total of 50 to 60 new restaurants, primarily in the domestic market. The actual number of openings in any period may differ from both our expectations and the number of signed commitments. Historically, the actual number of restaurants developed in a particular year has been less than the total number committed to be developed due to various factors including weather-related delays, other construction delays, difficulties in obtaining timely regulatory approvals, franchisee noncompliance with development agreements and various economic factors. We currently do not plan to open any new IHOP company-operated restaurants.

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Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results

Sales Trends

	Domestic System-wide Same-restaurant Sales Increase (Decrease)								
	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Applebee's									
Quarter	3.9 %	3.1 %	(0.3)%	1.0 %	1.2 %	0.7 %	2.0 %	0.9 %	(1.3)%
YTD	3.9 %	3.5 %	2.3 %	2.0 %	1.2 %	1.0 %	1.3 %	1.2 %	(1.3)%
IHOP									
Quarter	(2.7)%	(2.9)%	(1.5)%	(1.0)%	(0.5)%	(1.4)%	(2.0)%	(2.6)%	(0.5)%
YTD	(2.7)%	(2.8)%	(2.4)%	(2.0)%	(0.5)%	(0.9)%	(1.3)%	(1.6)%	(0.5)%

Applebee's domestic system-wide same-restaurant sales decreased 1.3% for the three months ended March 31, 2013, the first decline in the past six quarters. IHOP's domestic system-wide same-restaurant sales decreased 0.5% for the three months ended March 31, 2013; this represented the smallest decrease for IHOP over the past four quarters. The decreases for both brands resulted from a decline in guest traffic, partially offset by an increase in average guest check.

The restaurant industry as a whole endured a difficult economic environment during the first quarter of 2013. Consumers' discretionary income was adversely impacted by several factors, including the expiration of the 2% payroll tax cut that had been in place in 2011 and 2012, rising fuel prices and a mandated delay in the processing of federal tax returns. While both brands did experience declines in same-restaurant sales for the first quarter of 2013, both brands outpaced the performance of their respective segments. Based on published industry data, the 1.3% decline in same-restaurant sales for Applebee's was approximately 1.6% better than the casual dining segment as a whole, while the 0.5% decline in same-restaurant sales for IHOP was approximately 2.5% better than the overall performance of the family dining segment. With respect to both brands, same-restaurant sales performance for the first three months of 2013 is not necessarily indicative of results expected for the full year.

We are working to restore same-restaurant sales and traffic momentum by differentiating our brands through innovative and creative advertising, by offering a value proposition that resonates with our guests, and by providing a broad array of craveable menu items to entice repeat visits for dining experiences unique to Applebee's and IHOP. Continually refining our menu is an important part of the dining experience for our guests. In January 2013 we introduced the first of three new IHOP menus planned for this year. The second launch is scheduled for June and the third is slated for late 2013. Our menu strategy has three objectives: (i) simplify the ordering process with a new menu layout that includes improved photography highlighting our offerings; (ii) reduce the overall number of menu items over time to lessen complexity; and (iii) introduce new and exciting menu offerings and categories. In the first quarter, IHOP launched our new line of breakfast sandwiches, Griddle Melts, with an innovative national TV spot filmed in Times Square, featuring testimonials from real consumers about how much they love our new sandwiches.

Applebee's refreshed their popular "2 for $20" value offering in February with the inclusion of two new dishes inspired by New Orleans-style cuisine. Applebee's also continues to build on its leadership in offering low-calorie choices in the casual dining category by refreshing the "Unbelievably Great Tasting and Under 550 Calories" menu with the introduction of Zesty Roma Chicken & Shrimp and Lemon Parmesan Shrimp as part of our "Taste It, Believe It" campaign.

Franchisee Matters

From time to time, our franchisees may experience financial difficulties, including bankruptcy.

In February 2013, an IHOP franchisee which owns and operates 19 restaurants located in the states of Illinois, Wisconsin and Missouri filed for bankruptcy protection. This franchisee currently is operating all of its restaurants in the normal course of business and is current on all financial obligations to us.

In April 2013, an Applebee's franchisee which owns and operates 33 restaurants located in the state of Illinois also filed for bankruptcy protection. In connection with the bankruptcy filing, this franchisee expects to close eight restaurants. This franchisee currently is operating its remaining restaurants in the normal course of business and is current on all financial obligations to us.

Based on currently available information, we cannot determine whether either of these bankruptcy proceedings will have a material adverse impact on our results of operations for the 2013 fiscal year or, if such material adverse impact were to occur, the magnitude of the impact.

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Comparison of the Three Months ended March 31, 2013 and 2012

Results of Operations

Key components of changes in our financial results for the three months ended March 31, 2013 compared to the same period of 2012 are summarized below and discussed in the sections that follow:

- Revenue decreased $82.4 million, primarily due to the refranchising of Applebee's company-operated restaurants, partially offset by higher franchise royalty revenues resulting from the increase in the number of Applebee’s and IHOP franchise restaurants;

- Segment profit decreased $14.2 million, comprised as follows:

	Three Months Ended March 31,		Favorable (Unfavorable)
	2013	2012	Variance
	(In millions)		
Franchise operations	$83.7	$80.8	$2.9
Company restaurant operations	0.2	16.7	(16.5)
Rental operations	6.7	7.5	(0.8)
Financing operations	3.8	3.6	0.2
Total	$94.4	$108.6	$(14.2)

The decline in segment profit was primarily due to the refranchising of Applebee’s company-operated restaurants and a 1.3% decrease in Applebee's domestic same-restaurant sales, partially offset by an increase in the number of Applebee’s and IHOP franchise restaurants;

- We recognized a gain on disposition of assets of $0.3 million for the three months ended March 31, 2013, compared with a gain on disposition of assets of $16.7 million in the first quarter of 2012. With the completion of our strategy to refranchise the significant majority of Applebee's company-operated restaurants in October 2012, we do not expect gains or losses on dispositions of company-operated restaurants will be significant for the foreseeable future;

- General and administrative ("G&A") expenses decreased $5.6 million, primarily due to lower compensation costs resulting from the staff restructuring initiatives announced in the third quarter of 2012 and from the refranchising of Applebee's company-operated restaurants; and
- Interest expense decreased $4.9 million primarily due to our reduction of debt balances over the past 12 months, in addition to a lower interest rate on our Term Loan.

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Franchise Operations

	Three Months Ended March 31, 2013	2012	Favorable (Unfavorable) Variance	% Change [1]
	(In millions)			
Franchise Revenues				
Applebee’s	$50.7	$47.5	$ 3.2	6.7 %
IHOP	41.2	41.2	—	— %
IHOP advertising	20.0	19.7	0.3	1.4 %
Total franchise revenues	111.9	108.4	3.5	3.2 %
Franchise Expenses				
Applebee’s	1.5	0.8	(0.7)	(89.3)%
IHOP	6.7	7.1	0.4	5.8 %
IHOP advertising	20.0	19.7	(0.3)	(1.4)%
Total franchise expenses	28.2	27.6	(0.6)	(2.0)%
Franchise Segment Profit				
Applebee’s	49.2	46.8	2.5	5.3 %
IHOP	34.5	34.0	0.4	1.2 %
Total franchise segment profit	$83.7	$80.8	$ 2.9	3.6 %
Segment profit as % of revenue [1]	74.8 %	74.5 %		

[1] Percentages calculated on actual amounts, not rounded amounts presented above

The $3.2 million increase in Applebee’s franchise revenue was primarily attributable to increased royalty revenue resulting from the refranchising of 154 company-operated restaurants in 2012 (17 in the first quarter, 98 in the third quarter and 39 in the fourth quarter), partially offset by a 1.2% decrease in domestic same-restaurant sales. IHOP franchise revenue (other than advertising) was unchanged from the prior year as higher royalty revenues resulting from a 2.5% increase in effective franchise units were offset by a decrease in sales of pancake and waffle dry mix.

IHOP’s franchise expenses are substantially higher than Applebee’s due to advertising expenses. Franchise fees designated for IHOP’s national advertising fund and local marketing and advertising cooperatives are recognized as revenue and expense of franchise operations; however, Applebee’s national advertising fund activity constitutes an agency transaction and therefore is not recognized as franchise revenue and expense. The increase in IHOP advertising revenue and expense is primarily due to the increase in effective franchise restaurants partially offset by the decrease in domestic franchise same-restaurant sales.

The increase in franchise segment profit is primarily due to an increase in effective franchise restaurants due to the refranchising of Applebee’s company-operated restaurants.

Company Restaurant Operations

	Three Months Ended March 31, 2013	2012	Favorable (Unfavorable) Variance	% Change [1]
	(In millions)			
Company restaurant sales	$16.5	$100.9	$ (84.4)	(83.7)%
Company restaurant expenses	16.3	84.2	67.9	80.7 %
Company restaurant segment profit	$0.2	$16.7	$ (16.5)	(98.9)%

Segment profit as % of revenue [1]	1.1 %	16.6 %

[1] Percentages calculated on actual amounts, not rounded amounts presented above

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As of March 31, 2013, company restaurant operations comprised 23 Applebee's company-operated restaurants and 10 IHOP company-operated restaurants. We operate these restaurants primarily to test new remodel programs, operating procedures, products, technology, cooking platforms and service models. Additionally, two IHOP restaurants reacquired from franchisees are currently being operated by IHOP on a temporary basis until refranchised. The impact of the 12 IHOP company-operated restaurants on all variances between the three months ended March 31, 2013 and the same period of 2012 was negligible.

Consolidated company restaurant sales decreased $84.4 million, of which $83.5 million was due to the refranchising of 154 Applebee's company-operated restaurants in 2012 (17 in the first quarter, 98 in the third quarter and 39 in the fourth quarter).

Consolidated company restaurant expenses decreased $67.9 million, all of which was due to the refranchising of the 154 Applebee's company-operated restaurants noted above.

Rental Operations

	Three Months Ended March 31,		Favorable (Unfavorable)	
	2013	2012	Variance	% Change (1)
	(In millions)			
Rental revenues	$31.0	$32.0	$ (1.0)	(3.1)%
Rental expenses	24.3	24.5	0.3	1.1%
Rental operations segment profit	$6.7	$7.5	$ (0.8)	(9.8)%
Segment profit as % of revenue (1)	21.7%	23.3%		

(1) Percentages calculated on actual amounts, not rounded amounts presented above

Rental operations relate primarily to IHOP franchise restaurants. Rental income includes revenue from operating leases and interest income from direct financing leases. Rental expenses are costs of prime operating leases and interest expense on prime capital leases on certain franchise restaurants.

Rental revenue decreased due to typical declines in level rent adjustments as leases approach the midpoint of the average lease term and in interest income as direct financing leases are repaid.

Financing Operations

	Three Months Ended March 31,		Favorable (Unfavorable)	
	2013	2012	Variance	% Change (1)
	(In millions)			
Financing revenues	$3.8	$4.3	$ (0.5)	(10.4)%
Financing expenses	—	0.7	0.7	n.m.
Financing operations segment profit	$3.8	$3.6	$ 0.2	5.8%
Segment profit as % of revenue (1)	100.0%	84.7%		

(1) Percentages calculated on actual amounts, not rounded amounts presented above
n.m. - not meaningful

All of our financing operations relate to IHOP franchise restaurants. The decline in financing revenues was primarily due to a decrease in interest revenue due to the progressive decline in note balances as a result of repayments and a decrease in refranchising activity related to IHOP restaurants reacquired from franchisees. There were no costs associated with refranchising activity in the first quarter of 2013.

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Other Expense and Income Components

	Three Months Ended March 31,		Favorable (Unfavorable)	
	2013	2012	Variance	% Change [1]
	(In millions)			
General and administrative expenses	$34.0	$39.6	$ 5.6	14.1 %
Interest expense	25.3	30.2	4.9	16.3 %
Amortization of intangible assets	3.1	3.1	—	0.1 %
Impairment and closure charges	0.8	0.7	(0.1)	(16.1)%
Loss on extinguishment of debt	0.0	2.6	2.6	n.m.
Debt modification costs	1.3	—	(1.3)	n.m.
Gain on disposition of assets	(0.3)	(16.7)	(16.4)	n.m.
Provision for income taxes	12.0	17.7	5.8	32.5 %

[1] Percentages calculated on actual amounts, not rounded amounts presented above
n.m. - not meaningful

General and Administrative Expenses

G&A expenses decreased by $5.6 million compared to the same period of the prior year. Approximately $4.8 million of the decrease was due to lower compensation costs, primarily due to: (i) lower salaries and benefits resulting from the restructuring initiatives announced in the third quarter of 2012 and from the refranchising of Applebee's company-operated restaurants; (ii) lower severance charges; (iii) lower stock-based compensation costs; and (iv) lower bonus expenses.

Interest Expense

Interest expense decreased by $4.9 million compared to the same period of the prior year due to a reduction of outstanding debt balances. Average interest-bearing debt outstanding (our Term Loans, Senior Notes and financing obligations) during the three months ended March 31, 2013 was approximately $280 million lower than the same period of the prior year. Additionally, the variable interest rate on our Term Loans declined 50 basis points from 4.25% to 3.75% as a result of a debt modification in February 2013 and the stability in LIBOR interest rates (see "Liquidity and Capital Resources of the Company - February 2013 Amendment to Credit Agreement").

Impairment and Closure Charges

Impairment and closure charges were $0.8 million and $0.7 million for the three months ended March 31, 2013 and 2012, respectively. There were no individually significant transactions in either period.

During the quarter ended March 31, 2013, we performed our quarterly assessment of whether events or changes in circumstances have occurred that potentially indicate the carrying value of tangible long-lived assets may not be recoverable. No significant impairments were noted in performing that assessment. We also considered whether there were any indicators of potential impairment to our goodwill and indefinite-lived intangible assets that primarily consist of our trade name. No such indicators were noted.

Debt Modification Costs

On February 4, 2013, we entered into Amendment No. 2 ("Amendment No. 2") to the Credit Agreement dated October 8, 2010. The key provisions of Amendment No. 2 are discussed under "Liquidity and Capital Resources - February 2013 Amendment to Credit Agreement." Fees paid to third parties of $1.3 million in connection with Amendment No. 2 were included as “Debt modification costs” in the Consolidated Statement of Income and Comprehensive Income for the three months ended March 31, 2013.

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Gain on Disposition of Assets

We recognized a gain on disposition of assets of $0.3 million for the three months ended March 31, 2013 compared to a gain of $16.7 million in the same period of 2012. There were no individually significant dispositions during the three months ended March 31, 2013. During the three months ended March 31, 2012, we completed the refranchising and sale of related restaurant assets of 17 Applebee's company-operated restaurants located in a six-state market area geographically centered around Memphis, Tennessee. With the completion in October 2012 of our strategy to refranchise the substantial majority of Applebee's company-operated restaurants, we do not expect gains or losses on dispositions of company-operated restaurants will be significant for the foreseeable future.

Loss on Extinguishment of Debt

During the three months ended March 31, 2013 and 2012, the Company recognized the following loss on extinguishment of debt:

Quarter Ended	Instrument Repaid/Retired	Face Amount Repaid/Retired	Cash Paid	Loss [1]
		(In millions)		
March 2013	Term Loans	$ 1.2	$ 1.2	$ 0.0
	Total 2013	$ 1.2	$ 1.2	$ 0.0
March 2012	Term Loans	$ 70.5	$ 70.5	$ 1.9
March 2012	Senior Notes	5.0	5.5	0.7
	Total 2012	$ 75.5	$ 76.0	$ 2.6

(1) Including write-off of the discount and deferred financing costs related to the debt retired.

Any write-off the discount and deferred financing costs is proportional to the amount of debt retired. As the amount of debt retired in the first quarter of 2013 is substantially less than the first quarter of 2012, the loss on debt extinguishment is substantially smaller, as well.

Provision for Income Taxes

Our effective tax rate was 39.6% for the three months ended March 31, 2013 compared to 36.1% for the three months ended March 31, 2012. The effective tax rate increased due to a smaller amount of income tax credits, primarily FICA tip and other compensation-related tax credits that are lower due to the refranchising and sale of related assets of Applebee's company-operated restaurants, and to an increase in unrecognized tax benefits.

Liquidity and Capital Resources

Credit Facilities

We have a $75.0 million revolving credit facility (the "Revolving Facility") under our Credit Agreement. During the first three months of 2013, we did not utilize the Revolving Facility. Our available borrowing capacity under the Revolving Facility is reduced by outstanding letters of credit, which totaled $10.9 million at March 31, 2013.

Based on our current level of operations, we believe that our cash flow from operations, available cash on hand and available borrowing capacity under our Revolving Facility will be adequate to meet our investing and financing cash outflows over the next twelve months.

Debt Covenants

Pursuant to our Credit Agreement, we are required to comply with a maximum consolidated leverage ratio and a minimum consolidated cash interest coverage ratio. Our current maximum consolidated leverage ratio of total debt (net of unrestricted cash not to exceed $75 million) to adjusted EBITDA is 7.0:1. Our current minimum ratio of adjusted EBITDA to consolidated cash interest is 1.75:1. Compliance with each of these ratios is required quarterly, calculated on a trailing four-quarter basis. The ratio thresholds become more rigorous over time. The maximum consolidated leverage ratio, which began at 7.5:1, declines in annual 25-basis-point decrements beginning with the first quarter of 2012 to 6.5:1 by the first quarter of 2015, then to 6.0:1 for the first

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quarter of 2016 until the Credit Agreement expires in October 2017. The minimum consolidated cash interest coverage ratio began at 1.5:1, increased to 1.75:1 beginning with the first quarter of 2013 and will increase to 2.0:1 beginning with the first quarter of 2016 and will remain at that level until the Credit Agreement expires in October 2017. There are no financial maintenance covenants associated with our Senior Notes.

For the trailing four quarters ended March 31, 2013, our consolidated leverage ratio was 4.7:1 and our consolidated cash interest coverage ratio was 2.5:1 (see Exhibit 12.1).

The adjusted EBITDA used in calculating these ratios is considered to be a non-U.S. GAAP measure. The reconciliation between our income before income taxes, as determined in accordance with U.S. GAAP, and adjusted EBITDA used for covenant compliance purposes is as follows:

Trailing Twelve Months Ended March 31, 2013	
	(In thousands)
U.S. GAAP income before income taxes	$176,066
Interest charges	126,714
Loss on extinguishment of debt	2,963
Depreciation and amortization	37,911
Non-cash stock-based compensation	10,842
Impairment and closure charges	4,334
Other	15,613
Gain on sale of assets	(86,182)
EBITDA	$288,261

We believe this non-U.S. GAAP measure is useful in evaluating our results of operations in reference to compliance with the debt covenants discussed above. This non-U.S. GAAP measure is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the U.S. GAAP information contained within our financial statements.

February 2013 Amendment to Credit Agreement

On February 4, 2013, we entered into Amendment No. 2 ("Amendment No. 2") to the Credit Agreement. Pursuant to Amendment No. 2, the interest rate margin for term loans under the Credit Agreement ("Term Loans") was reduced from 2.00% to 1.75% for Base Rate-denominated loans and from 3.00% to 2.75% for LIBOR-based loans. The interest rate margin for Revolving Loans was reduced from 3.50% to 1.75% for Base Rate-denominated loans and from 4.50% to 2.75% for LIBOR-based loans. The interest rate floors used to determine the Base Rate and LIBOR reference rates for Term Loans were reduced from 2.25% to 2.00% for Base Rate-denominated Term Loans and from 1.25% to 1.00% for LIBOR-based Term Loans. The interest rate floors for Revolving Loans were eliminated. The commitment fee for the unused portion of the revolving credit facility was reduced from 0.75% to 0.50% and, if the consolidated leverage ratio is reduced below 4.75:1, from 0.50% to 0.375%. Based on LIBOR rates in effect through March 31, 2013, Amendment No. 2 lowered the interest rates on our LIBOR-based Term Loans from 4.25% to 3.75%. In addition, Amendment No. 2 establishes the following thresholds for mandatory repayments of Term Loans: 50% of "Excess Cash Flow" (as defined in the Credit Agreement) if our consolidated leverage ratio is 5.75:1 or greater; 25% of Excess Cash Flow if our consolidated leverage ratio is less than 5.75:1 and greater than or equal to 5.25:1; and 0% of Excess Cash Flow if our consolidated leverage ratio is less than 5.25:1. Amendment No. 2 also revised the definition of “Permitted Amount” so that it is now measured on a quarterly basis for purposes of computing the permitted amount of restricted payments, which includes payment of dividends on and repurchases of our common stock. Finally, Amendment No.2 revised the definition of Excess Cash Flow to eliminate the deduction for any extraordinary receipts or disposition proceeds. All other material provisions, including maturity and covenants under the Credit Agreement, remain unchanged.

Concurrent with Amendment No. 2, on February 4, 2013, we borrowed $472.0 million under our Term Facility, retiring the same amount of then-outstanding borrowings under Amendment No. 1 to the Credit Agreement. Pursuant to Amendment No. 2, our minimum mandatory repayment of 1% per year is now based on this balance of $472.0 million, as compared to the previous outstanding balance of $742.0 million borrowed concurrent with Amendment No. 1.

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Restricted Payments

The Credit Agreement contains covenants considered customary for similar types of facilities that limit certain permitted restricted payments, including those related to dividends and repurchases of our common stock. Such restricted payments are limited to a cumulative amount comprised of (i) a general restricted payments allowance of $35.0 million, plus (ii) 50% of Excess Cash Flow for each fiscal quarter in which the consolidated leverage ratio is greater than 5.75:1; (iii) 75% of Excess Cash Flow for each fiscal quarter if the consolidated leverage ratio is less than 5.75:1 and greater than or equal to 5.25:1; (iv) 100% of Excess Cash Flow for each fiscal quarter in which the consolidated leverage ratio is less than 5.25:1; and (v) proceeds from the exercise of options to purchase our common stock, less any amounts paid as dividends or to repurchase our common stock. We made a restricted payment of $14.5 million in the form of a first quarter cash dividend on our common stock during the three months ended March 31, 2013. The Indenture under which our Senior Notes due October 30, 2018 (the "Senior Notes") were issued also contains a limitation on restricted payments that is calculated on an annual basis. Our permitted amount of future restricted payments under the Credit Agreement (calculated as of March 31, 2013) and the Indenture (calculated as of December 31, 2012) is approximately $140 million.

Our Senior Notes, Term Loans and borrowings under the Revolving Facility are also subject to affirmative and negative covenants considered customary for similar types of facilities, including, but not limited to, covenants with respect to incremental indebtedness, liens, investments, affiliate transactions, and capital expenditures. These covenants are subject to a number of important limitations, qualifications and exceptions. Certain of these covenants will not be applicable to the Senior Notes during any time that the Senior Notes maintain investment grade ratings.

Cash Flows

In summary, our cash flows were as follows:

	Three Months Ended March 31, 2013	2012	Variance
	(In millions)		
Net cash provided by operating activities	$71.2	$44.7	$26.5
Net cash provided by investing activities	2.4	21.4	(19.0)
Net cash used in financing activities	(20.8)	(78.1)	57.3
Net increase (decrease) in cash and cash equivalents	$52.8	$(12.0)	$64.8

Operating Activities

Cash provided by operating activities increased $26.5 million to $71.2 million for the three months ended March 31, 2013 from $44.7 million for the three months ended March 31, 2012. The main reason for the increase in cash from operations is a favorable change in net working capital. Net changes in working capital provided cash of $43.7 million in the first three months of 2013 compared to $19.6 million provided in the first three months of 2012, a favorable change of $24.0 million. This change was due primarily to the timing of prepaid rent and payment of marketing accruals and an increase in gift card receivable collections because of an increase in gift card sales. Cash payments for interest declined $5.7 million due to lower debt balances.

Investing Activities

Net cash provided by investing activities of $2.4 million for the three months ended March 31, 2013 was primarily attributable to $3.8 million in principal receipts from notes, equipment contracts and other long-term receivables, partially offset by $1.5 million in capital expenditures. Capital expenditures are expected to range between approximately $8 million and $10 million for fiscal 2013.

Financing Activities

Financing activities used net cash of $20.8 million for the three months ended March 31, 2013. Cash used in financing activities primarily consisted of a first quarter cash dividend on common stock of $0.75 per share totaling $14.5 million, repayments of capital lease, financing obligations and long-term debt of $3.7 million, an increase in marketing fund restricted cash of $2.7 million and $1.3 million of costs associated with Amendment No. 2. Cash provided by financing activities primarily consisted of a net inflow of $1.4 million related to equity awards.

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Free Cash Flow

We define "free cash flow" for a given period as cash provided by operating activities, plus receipts from notes, equipment contracts and other long-term receivables (collectively, "long-term receivables"), less dividends paid and additions to property and equipment. We believe this information is helpful to investors to determine our cash available for general corporate purposes and capital allocation other than dividends.

Free cash flow is considered to be a non-U.S. GAAP measure. Reconciliation of the cash provided by operating activities to free cash flow is as follows:

	Three Months Ended March 31,		
	2013	2012	Variance
	(In millions)		
Cash flows provided by operating activities	$71.2	$44.7	$26.5
Principal receipts from long-term receivables	3.8	3.4	0.4
Dividends paid on common stock	(14.5)	—	(14.5)
Additions to property and equipment	(1.5)	(4.1)	2.6
Free cash flow	$59.0	$44.0	$15.0

This non-U.S. GAAP measure is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the U.S. GAAP information contained within our financial statements.

Dividends

The Board of Directors approved payment of a first quarter cash dividend of $0.75 per share of our common stock, paid at the close of business on March 29, 2013 to the stockholders of record as of the close of business on March 15, 2013.

Off-Balance Sheet Arrangements

As of March 31, 2013, we had no off-balance sheet arrangements, as defined in Item 303(a)(4) of SEC Regulation S-K.

Contractual Obligations and Commitments

There were no material changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires we make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

A summary of our critical accounting estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2012. During the first three months of 2013, there were no significant changes in our estimates and critical accounting policies.

See Note 3, "Accounting Policies," in the Notes to Consolidated Condensed Financial Statements for a discussion of recently adopted accounting standards and newly issued accounting standards.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There were no material changes from the information contained in the Company’s Annual Report on Form 10-K as of December 31, 2012.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting.

There have been no changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various lawsuits, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. We are required to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of our litigation are expensed as such fees and expenses are incurred. Management regularly assesses our insurance deductibles, analyzes litigation information with our attorneys and evaluates our loss experience in connection with pending legal proceedings. While we do not presently believe that any of the legal proceedings to which we are currently a party will ultimately have a material adverse impact on us, there can be no assurance that we will prevail in all the proceedings we are party to, or that we will not incur material losses from them.

Item 1A. Risk Factors.

There were no material changes from the risk factors set forth under Item 1A of Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

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

Purchases of Equity Securities by the Company

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (b)
December 31, 2012 – January 27, 2013(a)	1,900	$69.46	—	$ 100,000,000
January 28, 2013 – February 24, 2013(a)	20,591	$74.51	—	$ 100,000,000
February 25, 2013 – March 31, 2013(a)	13,185	$70.04	—	$ 100,000,000
Total	35,676	$72.59	—	$ 100,000,000

(a) These amounts represent shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted stock awards.

(b) On February 26, 2013, our Board of Directors approved a stock repurchase authorization of up to $100 million of our common stock, replacing the previously announced $45 million authorization. Repurchases are subject to prevailing market prices and may take place in open market transactions and in privately negotiated transactions, based on business, market, applicable legal requirements and other considerations. The program does not require the repurchase of a specific number of shares and may be terminated at any time.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

3.1	Restated Certificate of Incorporation of DineEquity, Inc. (Exhibit 99.3 to DineEquity, Inc.'s Report on Form 8-K filed December 18, 2012 is incorporated herein by reference).
3.2	Amended Bylaws of DineEquity, Inc. (Exhibit 3.2 to DineEquity, Inc.'s Report on Form 8-K filed June 2, 2008 is incorporated herein by reference).
10.1	Amendment No. 2 dated February 4, 2013 to the Credit Agreement among the Corporation, as Borrower, each lender from time to time party thereto, Barclays Bank, PLC, as Administrative Agent, and the other agents named therein (Exhibit 10.1 to DineEquity, Inc.'s Report on Form 8-K filed February 5, 2013 is incorporated herein by reference).
12.1	Computation of Consolidated Leverage Ratio and Cash Interest Coverage Ratio for the trailing twelve months ended March 31, 2013.*
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.***
101.SCH	XBRL Schema Document.***
101.CAL	XBRL Calculation Linkbase Document.***
101.DEF	XBRL Definition Linkbase Document.***
101.LAB	XBRL Label Linkbase Document.***
101.PRE	XBRL Presentation Linkbase Document.***

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 accompany this Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

*** Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

DineEquity, Inc.
(Registrant)

May 2, 2013	BY:	/s/ Julia A. Stewart
		Julia A. Stewart
(Date)		Chairman and Chief Executive Officer
		(Principal Executive Officer)
May 2, 2013		/s/ Thomas W. Emrey
		Thomas W. Emrey
(Date)		Chief Financial Officer
		(Principal Financial Officer)
May 2, 2013		/s/ Greggory Kalvin
		Greggory Kalvin
(Date)		Senior Vice President, Corporate Controller
		(Principal Accounting Officer)

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