

ELECTRONIC ARTS INC.  
Form PRE 14A  
May 27, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_ )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ELECTRONIC ARTS INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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June , 2009

DEAR FELLOW STOCKHOLDERS:

You are cordially invited to join us at our 2009 Annual Meeting of Stockholders on July 29, 2009 at 2:00 p.m. The meeting will be held at the headquarters campus of Electronic Arts in Building 250 (please note that the street address for Building 250 is 250 Shoreline Drive, Redwood City, California). For your convenience, we are also pleased to offer a live webcast of our Annual Meeting on the Investor Relations section of our web site at <http://investor.ea.com>. At this meeting, we are asking the stockholders to:

Elect Leonard S. Coleman, Jeffrey T. Huber, Gary M. Kusin, Geraldine B. Laybourne, Gregory B. Maffei, Vivek Paul, Lawrence F. Probst III, John S. Riccitiello, Richard A. Simonson and Linda J. Srere to the Board of Directors to hold office for a one-year term;

Approve our Employee Stock Option Exchange Program;

Approve amendments to our 2000 Equity Incentive Plan and 2000 Employee Stock Purchase Plan; and

Ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2010.  
After the meeting, we will report on our recent performance and answer your questions.

Details regarding admission to the meeting and the business to be conducted are described in the Notice of Internet Availability of Proxy Materials you received in the mail and in this proxy statement. We have also made available a copy of our Annual Report for the fiscal year ended March 31, 2009 with this proxy statement. We encourage you to read our Annual Report. It includes our audited financial statements and provides information about our business and products.

We are pleased to be furnishing proxy materials to stockholders primarily over the Internet. We believe that this process conserves natural resources, reduces the environmental impact of our Annual Meeting, expedites the delivery of this important information to you, and reduces our printing and mailing costs. For further information, please see the Commonly Asked Questions and Answers section of this proxy statement.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote over the Internet, by telephone or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. Please review the instructions on each of your voting options described in this proxy statement, as well as in the Notice you received in the mail.

Thank you for your ongoing support of Electronic Arts. We look forward to seeing you at the 2009 Annual Meeting.

Sincerely,  
John S. Riccitiello  
*Chief Executive Officer*

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**Notice of 2009 Annual Meeting of Stockholders**

DATE: July 29, 2009

TIME: 2:00 p.m.

PLACE: ELECTRONIC ARTS HEADQUARTERS  
Building 250\*  
209 Redwood Shores Parkway  
Redwood City, CA 94065

*\* Please note: Building 250 is located on the headquarters campus at 250 Shoreline Drive*

**MATTERS TO BE VOTED UPON:**

1. The election of Leonard S. Coleman, Jeffrey T. Huber, Gary M. Kusin, Geraldine B. Laybourne, Gregory B. Maffei, Vivek Paul, Lawrence F. Probst III, John S. Riccitiello, Richard A. Simonson and Linda J. Srere to the Board of Directors to hold office for a one-year term;
2. Approve our Employee Stock Option Exchange Program
3. Approve amendments to the 2000 Equity Incentive Plan;
4. Approve an amendment to the 2000 Employee Stock Purchase Plan;
5. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2010; and
6. Any other matters that may properly come before the meeting.

**OUR BOARD OF DIRECTORS RECOMMENDS YOU VOTE FOR EACH OF THE NOMINEES AND FOR EACH PROPOSAL.**

Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Stockholders of record as of the close of business on June 8, 2009 are entitled to notice of the meeting and to attend and vote at the meeting. A complete list of these stockholders will be available at Electronic Arts headquarters prior to the meeting.

By Order of the Board of Directors,  
Stephen G. Bené  
*Senior Vice President, General Counsel*

*and Secretary*

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**PROXY STATEMENT**

Our Board of Directors is soliciting proxies for the 2009 Annual Meeting of Stockholders. The proxy materials, including this proxy statement, proxy card and voting instructions, contain important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read them carefully.

The Board has set June 8, 2009 as the record date for the meeting. Stockholders who owned common stock on that date are entitled to notice of the meeting, and to attend and vote at the meeting, with each share entitled to one vote. There were \_\_\_\_\_ shares of common stock outstanding on the record date.

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the "SEC"), we are providing access to our proxy materials to our stockholders by providing such documents on the Internet. The Notice of Annual Meeting, proxy statement, our 2009 Annual Report and form of proxy were distributed and/or made available via the Internet to stockholders on or about June 12, 2009. Stockholders will have the ability to access the proxy materials on a website referred to in the Notice of Internet Availability of Proxy Materials (the "Notice") or request a printed set of the proxy materials be sent to them, by following the instructions in the Notice.

The Notice will also provide instructions on how to inform us to send future proxy materials to you electronically by email or in printed form by mail. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email or printed form by mail will remain in effect until you terminate it. ***We encourage you to choose to receive future proxy materials by email. Doing so will allow us to provide you with the information you need in a more timely manner, will save us the cost of printing and mailing documents to you, and will help conserve natural resources.***

In this proxy statement:

EA, we, our and the Company mean Electronic Arts Inc.

2000 Equity Plan and Equity Plan mean EA's 2000 Equity Incentive Plan.

2000 Purchase Plan and Purchase Plan mean EA's 2000 Employee Stock Purchase Plan.

Holding shares in street name means your EA shares are held in an account at a bank, brokerage firm or other nominee.

Common stock means EA's common stock, as described in EA's current Amended and Restated Certificate of Incorporation.

Fiscal 2010, fiscal 2009, fiscal 2008, and fiscal 2007 refer to EA's fiscal years ending or ended (as the case may be) on March 31, 2010, 2009, 2008, and 2007, respectively.

We use independent auditors to refer to an independent registered public accounting firm.

Annual Report and 2009 Annual Report refer to our annual report for the fiscal year ended March 31, 2009.

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All share and per-share information has been adjusted to reflect the September 2000 and November 2003 two-for-one splits of our common stock.

### **VOTING YOUR SHARES**

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail, the section entitled Commonly Asked Questions and Answers set forth below in this proxy statement or, if you requested to receive printed proxy materials, your enclosed proxy card.



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### **COMMONLY ASKED QUESTIONS AND ANSWERS**

#### ***Why am I receiving these materials?***

Our Board of Directors has made these materials available to you on the Internet or, upon your request, has delivered printed proxy materials to you in connection with the solicitation of proxies for use at our 2009 Annual Meeting of Stockholders, which will take place on Wednesday, July 29, 2009 at 2:00 p.m. local time, at our corporate headquarters in Redwood City, California. This proxy statement describes proposals on which you, as a stockholder, are being asked to vote. It also gives you information on these proposals, as well as other information so that you can make an informed decision. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this proxy statement.

#### ***Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?***

In accordance with rules adopted by the SEC, we may furnish proxy materials, including this proxy statement and our annual report, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice, which was mailed to most of our stockholders, provides instructions as to how to access and review all of the proxy materials on the Internet. The Notice also instructs how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

#### ***Can I vote my shares by filling out and returning the Notice?***

No, however, the Notice provides instructions on how to vote by Internet, by telephone, by requesting and returning a paper proxy card, or by submitting a ballot in person at the meeting.

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

Stockholders who owned common stock on June 8, 2009 may attend and vote at the Annual Meeting. If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered, with respect to those shares, the shareowner of record. As the shareowner of record, you have the right to vote in person at the meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you are also invited to attend the meeting. Since a beneficial owner is not the shareowner of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from your broker, nominee, or trustee that holds your shares, giving you the right to vote the shares at the meeting. Each share of common stock is entitled to one vote.

#### ***What am I voting on?***

We are asking you to:

Elect Leonard S. Coleman, Jeffrey T. Huber, Gary M. Kusin, Geraldine B. Laybourne, Gregory B. Maffei, Vivek Paul, Lawrence F. Probst III, John S. Riccitiello, Richard A. Simonson and Linda J. Srere to the Board of Directors to hold office for a one-year term;

Approve our Employee Stock Option Exchange Program;

Approve amendments to the 2000 Equity Incentive Plan to (a) increase the number of shares authorized under the Equity Plan by 20,800,000 shares, and (b) replace the 1.82 multiple that is currently used to reduce the number of shares remaining available for issuance under the Equity Plan upon issuance of restricted stock and restricted stock unit awards with 1.43, so that each share of restricted stock or restricted stock unit awards granted after July 29, 2009 will reduce the number of shares remaining available for issuance by 1.43 shares;

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Approve an amendment to the 2000 Employee Stock Purchase Plan to increase by 3,000,000 the number of shares of common stock reserved for issuance under the Purchase Plan; and

Ratify the appointment of KPMG LLP as our independent auditors for fiscal 2010.

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### ***How do I vote my shares if I won't be able to attend the Annual Meeting in person?***

You do not need to attend the Annual Meeting in person in order to vote. You may, instead, vote over the Internet, by telephone or by mail (if you have requested printed proxy materials). By doing so, you are giving a proxy appointing John S. Riccitiello (the Company's Chief Executive Officer) and Eric F. Brown (the Company's Chief Financial Officer) to vote your shares at the meeting as you have instructed. If a proposal comes up for vote at the meeting for which you have not indicated an instruction, Mr. Riccitiello and Mr. Brown will vote your shares according to their best judgment. Even if you currently plan to attend the meeting, it is a good idea to vote on the Internet, by telephone or, if you received printed proxy materials, to complete and return your proxy card before the meeting date just in case your plans change.

***By Internet or Telephone*** If you have telephone or Internet access, you may submit your proxy by following the instructions provided in the Notice or, if you received a printed version of the proxy materials by mail, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card.

***By Mail*** If you request printed proxy materials, you may submit your proxy by mail by signing your proxy card or, for shares held in street name, by following the voting instructions included by your stockbroker, trustee or nominee, and mailing it in the enclosed, postage-paid envelope. If you provide specific voting instructions, your shares will be voted as you have instructed.

### ***What does it mean if I receive more than one Notice or proxy card?***

It means that you have multiple accounts at the transfer agent or with stockbrokers. Please complete and return all proxy cards, or follow the instructions on each Notice to vote by telephone or over the Internet, to ensure that all your shares are voted.

### ***What if I change my mind after I give my proxy?***

You may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

Sending a signed statement to the Company that the proxy is revoked (you may send such a statement to the Company's Secretary at our corporate headquarters address listed on the Notice of 2009 Annual Meeting of Stockholders);

Signing another proxy with a later date;

Voting by telephone or on the Internet at any time prior to 11:59 p.m. Eastern Time on July 28, 2009 (your latest vote is counted); or

Voting in person at the meeting.

Your proxy will not be revoked if you attend the meeting but do not vote.

### ***Who will count the votes?***

A representative of Broadridge Financial Solutions will tabulate the votes and act as the inspector of election.

### ***How many shares must be present to hold the meeting?***

To hold the meeting and conduct business, a majority of EA's outstanding voting shares as of June 8, 2009 must be present or represented by proxies at the meeting. On this date, a total of \_\_\_\_\_ shares of common stock were outstanding and entitled to vote. Shares representing a

majority, or            shares, of these votes must be present. This is called a quorum.

Shares are counted as present at the meeting if:

They are voted in person at the meeting, or

The stockholder has voted via the Internet, by telephone or properly submitted a proxy card.

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### ***How are votes counted?***

You may vote for , against or abstain on each of the proposals. Abstentions, although counted for purposes of determining whether a quorum is present, will not be counted for any other purpose. If you sign and return your proxy without voting instructions, your shares will be counted as a for vote in favor of each nominee and in favor of each of the other proposals.

### ***How many votes must the nominees have to be elected as directors?***

In an uncontested election (*i.e.*, an election in which EA's Corporate Secretary has not received timely and proper notice from a stockholder indicating an intention to nominate one or more candidates to compete with the Board's nominees), EA's bylaws require each nominee to receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. Since we did not receive notice from any stockholder indicating an intention to nominate one or more candidates for election at the 2009 Annual Meeting and as the deadlines for providing such notice have passed, the 2009 election will be uncontested.

In accordance with our Corporate Governance Guidelines, the Board expects an incumbent director to tender his or her resignation if he or she fails to receive the required number of votes for election or re-election in an uncontested election. In such an event, the Nominating and Governance Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to recommend/accept a director's resignation. The Board will act on the Nominating and Governance Committee's recommendation within 90 days from the date of the certification of election results and will publicly disclose its decision promptly thereafter.

Shares represented by your proxy will be voted by EA's management for the election of the ten nominees recommended by EA's Board of Directors unless you vote against any or all of such nominees or you mark your proxy to abstain from so voting.

### ***What happens if one or more of the nominees is unable to stand for election?***

The Board may reduce the number of directors or select a substitute nominee. In the latter case, if you have completed and returned your proxy card, Mr. Riccitiello and Mr. Brown shall have the discretion to vote your shares for a substitute nominee. They cannot vote for more than ten nominees.

### ***How many votes are required to approve the employee stock option exchange program, to pass the amendments to the 2000 Equity Plan and 2000 Purchase Plan, and to ratify the Company's selection of independent auditors?***

The Employee Stock Option Exchange Program, Equity Plan and Purchase Plan amendments, and the ratification of independent auditors must receive a for vote of a majority of the voting shares present at the meeting in person or by proxy and voting for or against these proposals. Abstentions and broker non-votes will have no effect on the outcome of these proposals.

### ***Where do I find the voting results of the meeting?***

We will announce preliminary voting results at the meeting. We will also publish the final results in a quarterly report on Form 10-Q, which we will file with the SEC. Once filed, you can request a copy of the Form 10-Q by contacting our Investor Relations department at (650) 628-7352 or the SEC at (800) SEC-0330 for the location of its nearest public reference room. You can also get a copy on the Internet at <http://investor.ea.com> or through the SEC's electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov).

### ***Who will pay for this proxy solicitation?***

We will bear the costs of soliciting proxies from our stockholders. These costs include preparing, assembling, printing, mailing and distributing the Notices, proxy statements, proxy cards and annual reports. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may



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incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition, some of our officers, directors, employees and other agents may also solicit proxies personally, by telephone and by electronic and regular mail, and we will pay these costs. EA will also reimburse brokerage houses and other custodians for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of common stock.

***Whom can I call with any questions about my shares?***

If you hold shares in street name, you may contact your broker. If you don't own your shares through a broker but are a shareholder of record, you may also call our transfer agent, Wells Fargo Shareowner Services, at 1-800-468-9716 (or 1-651-450-4064 for international callers) or visit their web site at [www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices).

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**PROPOSALS TO BE VOTED ON**

***PROPOSAL 1. ELECTION OF DIRECTORS***

At the Annual Meeting, stockholders will elect ten directors to hold office for a one-year term until the next Annual Meeting (or until their respective successors are elected and qualified). All nominees have consented to serve a one-year term, if elected.

The Board has nominated the following directors to stand for re-election:

Leonard S. Coleman

Gary M. Kusin

Gregory B. Maffei

Vivek Paul

Lawrence F. Probst III

John S. Riccitiello

Richard A. Simonson

Linda J. Srere

In addition, the Board has nominated the following directors to stand for election for the first time this year:

Jeffrey T. Huber

Geraldine B. Laybourne

Ms. Laybourne was appointed to the Board on November 5, 2008 and Mr. Huber was appointed to the Board on May 7, 2009.

**Required Vote and Board of Directors Recommendation**

In accordance with our bylaws, if EA's Corporate Secretary has not received timely and proper notice from a stockholder indicating an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if such stockholder has withdrawn all such nominations by the tenth day preceding the date on which we first mail our notice of meeting to stockholders, then the election of directors will be considered uncontested. Since we did not receive notice from any stockholder indicating an intention to nominate one or more candidates for election at the 2009 Annual Meeting and as the deadlines for providing such notice have passed, the 2009 election will be uncontested. As such,



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each nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. Shares represented by your proxy will be voted by the proxy holders for the election of the ten nominees recommended by EA's Board of Directors unless you vote against any or all of such nominees or you mark your proxy to abstain from so voting.

In accordance with our Corporate Governance Guidelines, the Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for election or re-election in an uncontested election. The Board shall nominate for election or re-election as director only candidates who have previously tendered or, in the case of candidates who have not yet become members of the Board, have agreed to tender promptly following the annual meeting at which they are elected or re-elected as director, irrevocable resignations that will be effective upon (i) a failure to receive the required majority vote at the next annual or special meeting at which they face re-election in an uncontested election, and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of irrevocable resignation tendered by other directors in accordance with these guidelines.

If an incumbent director fails to receive the required majority vote in an uncontested election, the Nominating and Governance Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that

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resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to recommend/accept a director's resignation. The Board will act on the Nominating and Governance Committee's recommendation within 90 days from the date of the certification of election results and will publicly disclose its decision promptly thereafter.

*The Board recommends a vote FOR each of the nominees.*

### **Director Biographies**

Each of the following directors has been nominated for re-election or election, as the case may be, at the 2009 Annual Meeting.

Leonard S. Coleman

*Director since 2001*

Mr. Coleman, age 60, served as Senior Advisor to Major League Baseball from 1999 until 2005 and, from 2001 to 2002, was the Chairman of ARENACO, a subsidiary of Yankees/Nets. Mr. Coleman was President of The National League of Professional Baseball Clubs from 1994 to 1999, having previously served since 1992 as Executive Director, Market Development of Major League Baseball. Mr. Coleman serves on the Board of Directors of the following public companies: Avis Budget Group, Churchill Downs Inc., H.J. Heinz Corporation and Omnicom Group Inc.

Jeffrey T. Huber

*Director since 2009*

Mr. Huber, age 41, is Senior Vice President of Engineering at Google Inc., where he has worked since 2003. From 2001 to 2003, Mr. Huber served as Vice President of Architecture and Systems Development at eBay Inc. Prior to joining eBay, Mr. Huber was Senior Vice President of Engineering at Excite@Home, where he worked from 1996 to 2001. Earlier in his career, he was a Technology Consultant with McKinsey & Company and founded a software development start-up. Mr. Huber holds a B.S. degree in Computer Engineering from the University of Illinois and a Masters degree from Harvard University.

Gary M. Kusin

*Director since 1995; Lead Director since 2006*

Mr. Kusin, age 57, is a Senior Advisor at TPG (formerly Texas Pacific Group). He has been with TPG since June 2006. He served as the President and Chief Executive Officer of Fedex Kinko's Office and Print Services, an operating division of Fedex, Inc. from August 2001 until February 2006. Fedex Kinko's is a leading provider of document solutions and business services. From September 1998 to July 2001, he was the Chief Executive Officer of HQ Global Workplaces, Inc., a global leader in office outsourcing. Prior to September 1998, Mr. Kusin was co-founder and Chairman of Kusin Gurwitch Cosmetics, LLC and co-founder and President of Babbages, Inc. Mr. Kusin serves on the Board of Directors of privately-held companies, including PETCO and Sabre Holdings.

Geraldine B. Laybourne

*Director since November 2008*

Ms. Laybourne, age 62, founded Oxygen Media, a cable television network, in 1998 and served as its Chairman and Chief Executive Officer until November 2007, when the network was acquired by NBC Universal. Prior to founding Oxygen, Ms. Laybourne spent 16 years at Nickelodeon, a cable television network. From 1996 to 1998, Ms. Laybourne served as President of Disney/ABC Cable Networks, a cable television network, where she was responsible for overseeing cable programming for the Walt Disney Company and ABC. Ms. Laybourne serves on the Board of Directors of Insight Communications, Symantec Corporation and Move.com and also serves on the Board of Trustees of Vassar College. Ms. Laybourne holds a B.A. degree from Vassar College and a M.S. from the University of Pennsylvania.

Gregory B. Maffei

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*Director since 2003*

Mr. Maffei, age 49, has served as President and Chief Executive Officer of Liberty Media Corporation, which owns electronic retailing, media, communications and entertainment businesses and investments, since February

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2006. He joined Liberty Media in November 2005 as CEO-Elect. From June 2005 until November 2005, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation. From 2000 until June 2005, Mr. Maffei served as Chief Executive Officer of 360networks Corporation, a broadband telecom service provider, and also became Chairman of the Board of 360networks in 2002. Previously, Mr. Maffei was with Microsoft Corporation from 1993 to 2000, in several positions, including Senior Vice President, Finance and Administration and Chief Financial Officer. Mr. Maffei also served as Chairman of Expedia, Inc. from 1999 to 2002. Mr. Maffei serves on the Board of Directors of Liberty Media and the DIRECTV Group, Inc.

Vivek Paul

*Director since 2005*

Mr. Paul, age 50, was a partner at TPG (formerly Texas Pacific Group) from October 2005 to August 2008. From July 1999 to September 2005, Mr. Paul served as Vice Chairman of the Board of Directors of Wipro, Ltd., a provider of integrated business, technology and process solutions, and Chief Executive Officer of Wipro Technologies, Wipro's global information technology, product engineering, and business process services segments. From January 1996 to July 1999, Mr. Paul was General Manager of Global CT Business at General Electric, Medical Systems Division. From March 1993 to December 1995, he served as President and Chief Executive Officer of Wipro GE Medical Systems Limited. Mr. Paul holds a Bachelor of Engineering from the Birla Institute of Technology and Science, and an M.B.A. from the University of Massachusetts, Amherst.

Lawrence F. Probst III

*Director since 1991*

Mr. Probst, age 59, was employed by EA from 1984 to September 2008. He has served as Chairman of the Board since July 1994 and, from May 1991 until April 2007, also served as our Chief Executive Officer. Previously Mr. Probst served as President from 1991 until 1998 and Senior Vice President of EA Distribution from 1987 to 1991. Mr. Probst holds a B.S. degree from the University of Delaware.

John S. Riccitiello

*Director since 2007*

Mr. Riccitiello, age 49, has served as Chief Executive Officer and a director of EA since April 2007. Prior to re-joining EA, he was a co-founder and Managing Partner at Elevation Partners, a private equity fund. From October 1997 to April 2004, Mr. Riccitiello served as President and Chief Operating Officer of EA. Prior to joining EA, Mr. Riccitiello served as President and Chief Executive Officer of the worldwide bakery division at Sara Lee Corporation. Before joining Sara Lee, he served as President and Chief Executive Officer of Wilson Sporting Goods Co. and has also held executive management positions at Haagen-Dazs, PepsiCo, Inc. and The Clorox Company. Mr. Riccitiello holds a B.S. degree from the University of California, Berkeley.

Richard A. Simonson

*Director since 2006*

Mr. Simonson, age 50, has served as Executive Vice President and Chief Financial Officer of Nokia Corporation, a manufacturer of mobile devices and a leader in mobile network equipment, solutions and services, since 2004. From 2001 until 2003, Mr. Simonson served as Vice President & Head of Customer Finance of Nokia. In 2001, Mr. Simonson was Managing Director of the Telecom & Media Investment Banking Group of Barclays Capital. Prior to joining Barclays Capital, Mr. Simonson spent 16 years at Bank of America Securities where he held various positions, including Managing Director & Head of Global Project Finance, Global Corporate & Investment Bank, San Francisco and Chicago. Mr. Simonson holds a B.S. degree from the Colorado School of Mines and an M.B.A. from Wharton School of Business at the University of Pennsylvania.

Linda J. Sreer

*Director since 2001*

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Ms. Srere, age 53, is currently a marketing and advertising consultant. Previously, Ms. Srere was President of Young & Rubicam Advertising. Since 1994, Ms. Srere held many positions with Young & Rubicam Inc. ( Y&R ), including Vice Chairman and Chief Client Officer, Executive Vice President and Director of Business Development, Group Managing Director, and in 1997, was named Chief Executive Officer of Y&R's New York office, becoming the first female CEO in the company's 75-year history. Ms. Srere also serves on the Board of Directors of Universal Technical Institute, Inc., a technical education provider.

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**DIRECTOR INDEPENDENCE**

Our Board has determined that each of our non-employee directors (other than Mr. Probst) qualifies as an independent director as that term is used in the NASDAQ Marketplace Rules. Mr. Probst, who served as our CEO through the end of fiscal 2007, and Mr. Riccitiello, our current CEO, do not qualify as independent. The NASDAQ Marketplace Rules have both objective tests and a subjective test for determining who is an independent director. The objective tests state, for example and among other things, that a director is not considered independent if he or she is an employee of the Company, or at any time during the past three years was employed by the Company. The subjective test states that an independent director must be a person who lacks a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has not established categorical standards or guidelines to make these subjective determinations, but considers all relevant facts and circumstances.

In addition to the board-level standards for director independence, the directors who serve on the Audit Committee each satisfy standards established by the SEC providing that to qualify as independent for the purposes of membership on that Committee, members of audit committees may not accept directly or indirectly any consulting, advisory, or other compensatory fee from us other than their director compensation.

**BOARD, BOARD MEETINGS, AND COMMITTEES**

The Board meets on a fixed schedule four times each year and also holds special meetings and acts by written consent. In fiscal 2009, the Board met nine times. At each regularly scheduled meeting, the independent members of the Board meet in executive session separately without management present. A Lead Director, elected by the independent directors, is responsible for chairing executive sessions of the Board and other meetings of the Board in the absence of the Chairman of the Board, serving as a liaison between the Chairman of the Board and the other independent directors, and overseeing the Board's stockholder communication policies and procedures (including, under appropriate circumstances, meeting with stockholders). Our Lead Director may also call meetings of the independent directors. The independent directors of the Board have chosen Richard A. Simonson to serve as Lead Director following the 2009 Annual Meeting of Stockholders for a two-year term ending with our 2011 Annual Meeting subject to Mr. Simonson's re-election to the Board.

The Board currently has three committees, each of which operates under a charter approved by the Board: the Audit Committee; the Compensation Committee; and the Nominating and Governance Committee. The Board of Directors amended and restated the Audit Committee's charter in May 2006, amended the Compensation Committee's charter in November 2006, and adopted the Nominating and Governance Committee's charter in April 2003. Copies of the charters of each Committee may be found in the Investor Relations portion of our website at <http://investor.ea.com>. In accordance with the charters for each, and with current regulatory requirements, all members of these Committees are independent directors. During fiscal 2009, each director participated in at least 75% of all Board meetings and Committee meetings held during the period for which he or she was a member.

From July 31, 2008 (the date of the most recent Board election and beginning of the current Board year) through May 27, 2009, the Committee members were as follows:

***July 2008 July 2009 Committee Assignments***

Audit	Gregory B. Maffei (Chair), Vivek Paul, and Richard A. Simonson
Compensation	Linda J. Srere (Chair), Leonard S. Coleman, Richard A. Simonson (until November 5, 2008) and Geraldine B. Laybourne (from November 5, 2008)
Nominating and Governance	Gary M. Kusin (Chair), Leonard S. Coleman, and Linda J. Srere

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Based on the recommendation of the Nominating and Governance Committee, and subject to the re-election or election, as the case may be, of each of the directors named below, the Board expects Committee assignments following the 2009 Annual Meeting to be as follows:

***July 2009 July 2010 Committee Assignments***

Audit	Gregory B. Maffei (Chair), Gary M. Kusin, and Vivek Paul
Compensation	Geraldine B. Laybourne (Chair), Leonard S. Coleman, and Linda J. Srere
Nominating and Governance	Richard A. Simonson (Chair), Leonard S. Coleman, and Linda J. Srere

***Audit Committee***

The Audit Committee assists the Board in its oversight of the Company’s financial reporting and other matters, and is directly responsible for the appointment, compensation and oversight of our independent auditors. The Audit Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements and the financial literacy standards of the NASDAQ Marketplace Rules, as well as the independence requirements of the SEC. In the opinion of the Board of Directors, Mr. Maffei and Mr. Simonson meet the criteria for an audit committee financial expert as set forth in applicable SEC rules. Following the 2009 Annual Meeting, Mr. Simonson is expected to step down from the Audit Committee and he will be replaced by Mr. Kusin. The Audit Committee met eight times in fiscal 2009. For further information about the Audit Committee, please see the *Report of the Audit Committee of the Board of Directors* below.

***Compensation Committee***

The Compensation Committee is responsible for setting the overall compensation strategy for the Company, for determining the compensation of the CEO (via recommendation to the Board) and other executive officers and for overseeing the Company’s equity incentive plans and other benefit plans. In addition, the Compensation Committee is responsible for reviewing and recommending to the Board compensation for non-employee directors. The Compensation Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Marketplace Rules and qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code, as amended. The Compensation Committee met 11 times in fiscal 2009 and also acted frequently by written consent. For further information about the Compensation Committee, please see the *Compensation Committee Report on Executive Compensation* below.

***Nominating and Governance Committee***

The Nominating and Governance Committee is responsible for recommending to the Board nominees for election to the Board of Directors, for appointing directors to Board Committees, and for reviewing developments in corporate governance, reviewing and ensuring the quality of the Company’s succession plans, recommending formal governance standards to the Board, reviewing the performance of the CEO, and establishing the Board’s criteria for selecting nominees for director and for reviewing from time to time the appropriate skills, characteristics and experience required of the Board as a whole, as well as its individual members. The Nominating and Governance Committee is currently comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Marketplace Rules. The Nominating and Governance Committee met four times in fiscal 2009.

In evaluating nominees for director to recommend to the Board, the Nominating and Governance Committee will take into account many factors within the context of the characteristics and needs of the Board as a whole. While the specific needs of the Board may change from time to time, all nominees for director are considered on the basis of the following minimum qualifications:

the highest level of personal and professional ethics and integrity, including a commitment to EA’s values;

practical wisdom and mature judgment;

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broad training and significant leadership experience in business, entertainment, technology, finance, corporate governance, public interest or other disciplines relevant to the long-term success of EA;



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the ability to gain an in-depth understanding of EA's business; and

a willingness to represent the best interests of all EA stockholders and objectively appraise management's performance.

In determining whether to recommend a director for re-election, the Nominating and Governance Committee will also consider the director's tenure on the Board, past attendance at meetings, participation in and contributions to the activities of the Board, the director's continued independence (including any actual, potential or perceived conflicts of interest), as well as the director's age and changes in his or her principal occupation or professional status. The Nominating and Governance Committee believes that the continuing service of qualified incumbent directors promotes stability and continuity on the Board of Directors, contributing to the Board's ability to work effectively as a collective body, while providing EA with the benefits of familiarity and insight into EA's affairs that its directors have developed over the course of their service. Accordingly, consistent with past EA practice, the Nominating and Governance Committee will first consider recommending incumbent directors who wish to continue to serve on the Board for re-election at EA's annual meeting of stockholders.

The Nominating and Governance Committee regularly seeks qualified candidates to serve as directors, particularly so in situations where it determines not to recommend an incumbent director for re-election, an incumbent director declines to stand for re-election, or a vacancy arises on the Board for any reason (including the resignation, retirement, removal, death or disability of an incumbent director or a decision of the directors to expand the size of the Board). The Nominating and Governance Committee may, in its discretion, use a variety of means to identify and evaluate potential nominees for director. The Nominating and Governance Committee has used, and may continue to use, qualified search firms and may also work with members of EA's Human Resources Department to identify potential nominees meeting the Board's general membership criteria discussed above. The Nominating and Governance Committee may also consider potential nominees identified by other sources, including current directors, senior management and stockholders. In determining whether to recommend a candidate to the Board of Directors, the Nominating and Governance Committee will consider the current composition of the Board and capabilities of current directors, as well as any additional qualities or capabilities considered necessary or desirable in light of the existing or anticipated needs of the Board.

The Nominating and Governance Committee will evaluate candidates proposed by stockholders under criteria similar to the evaluation of other candidates, except that it may also consider as one of the factors in its evaluation, the amount of EA voting stock held by the stockholder and the length of time the stockholder has held such stock. Stockholders wishing to submit candidates for consideration by the Nominating and Governance Committee may do so by writing to EA's Corporate Secretary at 209 Redwood Shores Parkway, Redwood City, CA 94065, Attn: Director Nominations. To be considered by the Nominating and Governance Committee in connection with EA's annual meeting of stockholders, recommendations must be submitted in writing to EA not less than 120 calendar days prior to the anniversary of the date on which EA's proxy statement was released to stockholders in connection with the previous year's annual meeting (on or about February 12, 2010, for our 2010 Annual Meeting of Stockholders). Recommendations should include: (1) the stockholder's name, address and telephone number; (2) the amount and nature of record and/or beneficial ownership of EA securities held by the stockholder; (3) the name, age, business address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed candidate; (4) a description of the qualifications and background of the proposed candidate that addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time and set forth in EA's Corporate Governance Guidelines; (5) the amount and nature of record and/or beneficial ownership of EA securities held by the proposed candidate, if any; (6) a description of all arrangements or understandings between the stockholder and the proposed candidate relating to the proposed candidate's candidacy; (7) a statement as to whether the proposed candidate would be considered an independent director under applicable NASDAQ Marketplace Rules or an audit committee financial expert under the SEC rules; (8) the consent of the proposed candidate (a) to be named in the proxy statement relating to EA's annual meeting of stockholders, and (b) to serve as a director if elected at such annual meeting; and (9) any other information regarding the proposed candidate that may be required to be included in a proxy statement by applicable SEC rules. The Nominating and Governance Committee may request any additional information reasonably necessary to assist it in assessing a proposed candidate.

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***Corporate Governance Guidelines***

Our Board of Directors has adopted, upon the recommendation of the Nominating and Governance Committee, a formal set of Corporate Governance Guidelines. A complete copy of the Corporate Governance Guidelines is available in the Investor Relations portion of our website at <http://investor.ea.com>. Our Corporate Governance Guidelines contain policies relating to:

Board membership and independence criteria;

Election of directors;

Director resignations;

Executive sessions of independent directors led by a Lead Director;

Authority to hire outside advisors;

Director orientation and education;

Board and Committee self-evaluations;

Attendance at annual meetings of stockholders;

Stock ownership guidelines for our directors and executive officers;

Stockholder communications with the Board; and

Access to management, CEO evaluation and management succession planning.

***Global Code of Conduct***

Our Global Code of Conduct (which includes code of ethics provisions applicable to our directors, principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers) is available in the Investor Relations section of our website at <http://investor.ea.com>. From time to time, we post amendments to our Global Code of Conduct in the Investor Relations section of our website. Copies of our charters and Global Code of Conduct are available without charge by contacting our Investor Relations department at (650) 628-7352.

***Director Attendance at Annual Meetings***

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Our directors are expected to make every effort to attend our annual meeting of stockholders. Six of the eight directors who were elected at the 2008 Annual Meeting of Stockholders attended the meeting.

### *Stockholder Communications with the Board of Directors*

EA stockholders may communicate with the Board as a whole, with a committee of the Board, or with an individual director by sending a letter to EA's Corporate Secretary at Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065, or by sending an email to [StockholderCommunications@ea.com](mailto:StockholderCommunications@ea.com). All stockholder communications received will be handled in accordance with procedures approved by the independent directors serving on the Board. For further information regarding the submission of stockholder communications, please visit the Investor Relations portion of our website at <http://investor.ea.com>.

### **DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES**

Our Compensation Committee is responsible for reviewing and recommending to our Board the compensation paid to our non-employee directors. Historically, our non-employee directors have been paid a mix of cash and equity compensation for their service as directors. During fiscal 2009, Mr. Riccitiello did not receive any additional compensation for his service as a director. Mr. Probst did not receive any additional compensation for his service as a director while he remained an employee of the Company; he began receiving director compensation when he ceased being an employee of the Company on September 27, 2008. The table below reflects the annualized components of cash compensation for directors (other than Mr. Riccitiello) that were in place during fiscal 2009. Because our Board year does not correspond to our fiscal year, actual amounts paid

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during fiscal 2009 were pro-rated based on the annualized figures in the following table (for more information regarding the specific compensation received by each non-employee director during fiscal 2009 see the Fiscal 2009 Director Compensation Table below).

***Fiscal 2009 Annualized Components of Non-Employee Director Cash Compensation***

Annual Retainer	\$ 50,000
Service on the Audit Committee	\$ 10,000
Chair of the Audit Committee	\$ 10,000
Service on the Compensation Committee	\$ 7,500
Chair of the Compensation Committee	\$ 7,500
Service on the Nominating and Governance Committee	\$ 7,500
Chair of the Nominating and Governance Committee	\$ 2,500
Chairman of the Board	\$ 50,000
Service as Lead Director	\$ 25,000

In addition, individual directors were eligible to earn up to \$1,000 per day, with the approval of the Board of Directors, for special assignments, which may include providing advisory services to management in such areas as sales, marketing, public relations and finance (provided, however, no independent director is eligible for a special assignment if the assignment or payment for the assignment would prevent the director from being considered independent under applicable NASDAQ Marketplace or SEC rules). No directors earned any compensation for special assignments during fiscal 2009.

***Stock Compensation***

Non-employee directors are eligible to automatically receive an option grant to purchase 17,500 shares and 2,500 restricted stock units issued under the 2000 Equity Incentive Plan upon their initial appointment or election to the Board, and each continuing non-employee director is eligible to automatically receive an annual option grant to purchase 8,400 shares and 1,200 restricted stock units upon his or her election or re-election to the Board. If a non-employee director has not served on our Board of Directors for a full year at the time of the annual meeting of our stockholders, such director will receive a pro-rated annual grant.

In fiscal 2009, annual option grants to purchase 8,400 shares of common stock were made under the Equity Plan to each of the directors (other than Mr. Riccitiello and Mr. Probst), who were re-elected at the 2008 Annual Meeting of Stockholders. All stock options were granted on July 31, 2008, the date of the directors' re-election to the Board, at an exercise price of \$43.18 per share, which was the closing price of the Company's common stock on the NASDAQ Global Select Market on that day. Each non-employee director was also granted 1,200 restricted stock units on the same date. Mr. Probst received a pro rata portion of the award on September 29, 2008 in the form of 7,700 stock options and 1,100 restricted stock units. Ms. Laybourne and Mr. Huber were each granted an option grant to purchase 17,500 shares and 2,500 restricted stock units under the Equity Plan upon their appointment to the Board.

Under the Equity Plan, non-employee directors may elect to receive all or part of their cash compensation in the form of common stock. As an incentive for our non-employee directors to increase their stock ownership in EA, non-employee directors making such an election receive shares of common stock valued at 110% of the cash compensation they would have otherwise received.

***Other Benefits***

Non-employee directors, who are not employed with any other company, are offered an opportunity to purchase certain EA health, dental and vision insurance while serving as a Board member with the option for the continuation of benefits upon the expiration of their Board term. Participating directors pay 100% of their own insurance premiums.

**Table of Contents****Deferred Compensation Plan**

We maintain a Deferred Compensation Plan ( DCP ) that allows our directors and certain employees, including our Named Executive Officers, to defer receipt of their salary into cash accounts that mirror the gains and/or losses of several different investment funds which correspond to the funds we have selected for our 401(k) plan. Director participants may defer up to 100% of their director fees until the date(s) they have specified. We are not required to make any contributions to the DCP and did not do so in fiscal 2009.

**Stock Ownership Guidelines**

Each non-employee director is required, within three years of becoming a director, to own shares of EA common stock or vested restricted stock units having a value of at least 3 years' annual retainer for service on the Board. As of May 15, 2009, each of our directors had either fulfilled their ownership requirements or had not yet reached three years of service.

**FISCAL 2009 DIRECTOR COMPENSATION TABLE**

The following table shows compensation information for each of our directors during fiscal 2009 (other than Mr. Riccitiello).

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Options Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Leonard S. Coleman		54,479	100,840	71,524	226,843
Gary M. Kusin	85,000	54,479	100,840		240,319
Geraldine B. Laybourne	21,563	5,474	14,705	7,906	49,648
Gregory B. Maffei	70,000	54,479	100,840		225,319
Timothy Mott <sup>(5)</sup>	14,375	20,315	38,545		73,235
Vivek Paul		54,479	144,682	66,027	265,188
Lawrence F. Probst III	59,315	23,447	5,512,312 <sup>(6)</sup>	230,409 <sup>(7)</sup>	5,825,483
Richard A. Simonson	56,250	54,479	202,927	8,247	321,903
Linda J. Srere		54,479	100,840	79,742	235,061

<sup>(1)</sup> The amounts presented in this column represent compensation that was earned and paid as cash. As described above and in footnote 4 below, our non-employee directors may elect to receive all or part of their cash compensation in the form of EA common stock. The value of the EA common stock received in lieu of cash payments during fiscal 2009 by our non-employees directors is reflected in the All Other Compensation column above.

<sup>(2)</sup> Represents the expense recognized by EA in fiscal 2009 for financial statement reporting purposes in accordance with Statement of Financial Accounting Standard No. 123 (revised 2004) ( SFAS No. 123(R) ), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of restricted stock units granted to the non-employee directors. No stock awards were forfeited by any of the non-employee directors in fiscal 2009. The amounts reflected above represent the fair value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by vesting in a restricted stock unit award). For additional information regarding the valuation methodology used by EA, see Note 13, Stock-Based Compensation and Employee Benefit Plans, of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009. In fiscal 2009, each non-employee director standing for re-election received a restricted stock unit grant of 1,200 shares of EA common stock, which vests in its entirety on the date of the 2009 Annual Meeting. In the case of Mr. Probst, he ceased being an employee of EA on September 27, 2008. Therefore, he received a pro rata portion of the restricted stock unit grant of 1,100 shares of EA common stock on September 29, 2008.

<sup>(3)</sup>

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Represents the expense recognized by EA in fiscal 2009 for financial statement reporting purposes in accordance with SFAS No. 123(R), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of stock options granted to the non-employee directors. No stock options were forfeited by any of the non-employee directors in fiscal 2009. The amounts reflected above

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represent the fair value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of EA's stock options, see Note 13, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009. In fiscal 2009, each non-employee director standing for re-election received a stock option to purchase 8,400 shares of EA common stock, which vests in its entirety on the earlier of one year from the grant date or the date of the 2009 Annual Meeting. In the case of Mr. Probst, he received a pro rata portion of the stock option award of 7,700 options on September 29, 2008.

- (4) Represents the value of shares of EA common stock elected to be received by a non-employee director in lieu of the cash fees to which they would have otherwise been entitled. Non-employee directors making such an election receive shares of common stock valued at 110% of the cash compensation they would have otherwise received. Such shares are awarded via the grant and immediate exercise of a stock option having an exercise price equal to the fair market value of our common stock on the date of grant. The following table presents the amount of cash each director was entitled to receive and the number of shares such director received in lieu of such cash:

<b>Name</b>	<b>Cash Fees Earned (\$)</b>	<b>Shares of EA Common Stock Received in Lieu of Cash Fees (#)</b>
Leonard S. Coleman	65,000	2,728
Geraldine B. Laybourne	7,188	532
Vivek Paul	60,000	2,518
Richard A. Simonson	7,500	555
Linda J. Srere	72,500	3,042

- (5) Mr. Mott retired from the Board and did not stand for re-election at the 2008 Annual Meeting of Stockholders. As such, he only served on the Board for a portion of fiscal 2009 (April 1, 2008 through July 31, 2008).
- (6) Includes the \$5,453,922 million expense recognized by EA for financial statement reporting purposes in accordance with SFAS No. 123(R) for the modifications made to Mr. Probst's employee option grants upon his termination as an EA employee in order to allow these grants to continue to vest so long as he remains a director of EA.
- (7) Represents salary paid to Mr. Probst in fiscal 2009 as an employee of EA through September 27, 2008. Includes (a) Basic and Group Term Life Insurance Premiums, Executive Disability, and Executive Physical fees paid for the benefit of Mr. Probst of \$2,674; and (b) company-matching 401(k) contributions of \$6,750 earned by Mr. Probst in fiscal 2009.

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***PROPOSAL 2. APPROVAL OF THE EMPLOYEE STOCK OPTION EXCHANGE PROGRAM***

We are asking stockholders to approve a voluntary program (the Exchange Program) that, if implemented, will permit our eligible employees to exchange certain outstanding stock options that are underwater for a lesser number of restricted stock units to be granted under our Equity Plan. On May 7, 2009, our Board of Directors, upon recommendation by our Compensation Committee, authorized the Exchange Program, subject to stockholder approval.

Options eligible for the Exchange Program (the Eligible Options) will be those with an exercise price greater than the 52-week high trading price of our common stock on The NASDAQ Global Select Market (measured from the start of the Exchange Program) and a grant date that is at least 12 months prior to the start date of the Exchange Program. Eligible employees who elect to participate in the Exchange Program may surrender one or more outstanding grants of Eligible Options and receive in exchange restricted stock units for a lesser number of shares of common stock. Restricted stock units are rights to receive shares of common stock on specified future dates when those rights have vested following a required period of employment.

**Background**

We believe that the alignment of the interests of our stockholders and our employees is best advanced through the issuance of equity incentives to our employees as a portion of their total compensation. In this way, we reinforce the link between our stockholders and our employees focus on personal responsibility, creativity and stockholder returns.

Equity awards are an essential part of our compensation philosophy and culture. When EA's stock price growth is flat to down, our employees individually experience this impact through the structure of their total compensation and the broad-based reach of our equity compensation program. Equity awards also play an important role in our recruitment and retention strategies, as the competition for creative and technical talent and leadership in our industry is intense. Approximately 99% of our employees have received equity awards in the form of stock options and/or restricted stock units either through initial hire grants and or as part of our annual performance review cycle. Since 2005, we have been placing a greater emphasis on the use of restricted stock units as an incentive for our employees rather than stock options alone. However, as of March 28, 2009, approximately 51% of EA's employees held stock options and of these individuals, approximately 99% were holding options with an exercise price greater than \$18.69, the closing price of EA's common stock on The NASDAQ Global Select Market on March 27, 2009, the last trading day of our fiscal year.

**Reasons for the Exchange Program**

The purpose of the Exchange Program is to increase the retentive and motivational value of equity awards for employees and to incentivize our employees to drive company performance and build stockholder value.

The price of EA's common stock has experienced significant volatility over the years. On March 28, 2009, approximately 99% of our employee option holders held at least some options that were underwater, and for approximately 91% of our employee option holders, all of their options were underwater. These underwater options have been granted over approximately 9 years and had a weighted-average exercise price of \$46.00, ranging from \$18.73 to \$65.93. These underwater options no longer provide the retention incentive that they were designed to have.

As a result of the global economic downturn, overall consumer spending has declined and retailers have taken a more conservative stance in ordering game inventory. The decrease in discretionary consumer spending contributed to the decline in the anticipated demand for our products during the 2008 holiday selling season. It is unclear when the macroeconomic situation will improve. Accordingly, as a result of our performance and the current economic environment, in fiscal 2009, we announced details of a cost reduction plan. This plan includes the narrowing of our product portfolio, a reduction in our worldwide workforce of approximately 11%, or 1,100 employees, the closure of 10 facilities, and reductions in other variable costs and capital expenditures.

Despite these actions taken by management, the worldwide economic downturn has negatively impacted our stock price and our equity valuation has decreased significantly. As a result, the current situation provides a considerable challenge in maintaining employee motivation, as well as creating a serious threat to retention until a recovery commences. The stock option exchange would help to address both these concerns and reinvigorate a culture based on employee stock ownership.





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***Increase Retention Incentives.*** We consider our employees a critical part of our drive to enhance our competitive position and to prepare for future success. We operate in an intensely competitive business environment, which is characterized by ongoing technological advances, constantly changing and difficult-to-predict consumer tastes and preferences, and the continual emergence of new competitors and technologies. Notwithstanding the global economic downturn, the market for technical, creative, marketing, and other personnel essential to the development, marketing, and sales of our products remains extremely competitive. Our success as a global leader in the interactive entertainment industry depends heavily on attracting, motivating, and rewarding talented employees in our industry. At the same time, our leading position within the interactive entertainment industry makes us a prime target for our competitors (which range from very small start-up companies with limited resources to very large, diversified corporations with greater financial and marketing resources than ours) seeking to recruit our employees.

**Reasons for the Structure of the Exchange Program**

In determining how to increase the retentive and motivational value of equity awards for employees, different alternatives were considered. The Exchange Program structure was chosen as it provides the further benefit of reducing our overhang (*i.e.*, the total number of shares subject to outstanding equity awards as a percentage of our total shares of common stock outstanding) and recapturing retentive and incentive value from the compensation expense that we record in our financial statements with respect to the Eligible Options.

***Reduce Overhang.*** Since many of the Eligible Options have been out of the money for an extended period of time, employees have had little or no incentive to exercise them. The Exchange Program will also serve to reduce our overhang, particularly that portion consisting of stock options having the highest exercise prices with the least employee retention value. Under the program, participating employees will receive significantly fewer restricted stock units than the number of shares subject to the options they surrender. Because participating employees will exchange a greater number of options for a lesser number of restricted stock units, there will be an immediate reduction in our overhang. For example, assuming we commence the Exchange Program when our 52-week high trading price is under \$30 and options that have an exercise price greater than or equal to \$30 are eligible to participate, then options for a total of 18,432,341 shares would be eligible for participation. If all of these Eligible Options are surrendered for cancellation, we would issue restricted stock units for 5,482,504 shares, based on the exchange ratios described in the table set forth under the heading **Description of the Exchange Program Exchange Ratios** below, resulting in a net reduction in overhang from the Exchange Program of 12,949,837 shares or approximately 4% of the number of shares of our common stock issued and outstanding as of March 28, 2009.

The following chart illustrates how the Exchange Program will affect our overhang:

**Overhang Before Option Exchange Program**

Total number of shares of common stock ( Shares ) Outstanding as of March 28, 2009:	322,841,828
Total number of Shares subject to outstanding equity awards as of March 28, 2009: <sup>(1)(2)</sup>	44,926,099
Weighted-average exercise price of all outstanding options:	\$42.04
Weighted-average remaining contractual term of all outstanding options (in years):	5.95
Percentage overhang prior to the Exchange Program:	13.9%

**Table of Contents****Overhang After Option Exchange Program<sup>(3)</sup> (For Illustrative Purposes Only)**

Total number of Shares to be cancelled in the Exchange Program (assuming 100% participation):	18,432,341
Total number of Shares subject to restricted stock units to be issued in exchange for the surrendered Eligible Options (assuming 100% participation):	5,482,504
Total number of Shares subject to outstanding equity awards following the exchange of Eligible Options for restricted stock units:	31,976,262
Weighted-average exercise price of all outstanding options:	\$29.63
Weighted-average remaining contractual term of all outstanding options (in years):	5.67
Percentage overhang following the Exchange Program:	9.9%

<sup>1</sup> There were 11,085,110 Shares available for grant as of March 28, 2009.

<sup>2</sup> Includes 34,359,797 outstanding options and 10,566,302 granted but unvested restricted stock and restricted stock unit awards as of March 28, 2009.

<sup>3</sup> Assuming options that have an exercise price greater than or equal to \$30 are eligible to participate.

The actual reduction in our overhang that could result from the Exchange Program could differ materially from the example in the chart above and is dependent on a number of factors, including the exercise price at which outstanding options become eligible to participate in the Exchange Program and the actual level of employee participation in the program. The reduction in overhang would also be partially offset by the grant of additional awards under our Equity Plan, including the retention awards described under the heading *Additional Equity Grants* below.

**Recapture Retentive and Incentive Value from Our Compensation Expense.** We also believe that the Exchange Program will allow us to recapture retentive and incentive value from the compensation expense that we record in our financial statements with respect to certain Eligible Options. We will be able to replace certain underwater options held by our employees that currently have little retentive and incentive value with a lesser number of restricted stock units as of the closing date of the Exchange Program ( Exchange Date ), which we believe will have more motivational value.

**Align Equity Incentives with Current Compensation Philosophy.** In designing the terms of the Exchange Program and recommending its approval by the Board of Directors, the Compensation Committee took into account that since 2005, we have been shifting from the exclusive use of stock options to using a mix of stock options and other equity-based incentives, such as restricted stock units, to provide long-term equity incentives to our employees. By granting replacement awards consisting of restricted stock units rather than new, at-the-money stock options, the Compensation Committee seeks to strengthen our equity-based retention incentives.

**Alternatives Considered**

In deciding to approve the proposed Exchange Program, we also considered a number of alternatives to the Exchange Program as a means of incentivizing and retaining employees, including:

**Granting Additional Equity Awards.** We considered making special grants of restricted stock units and stock options at current market prices outside of our annual grant practices. However, these additional grants would substantially increase our overhang and compensation expense, and dilute the interests of our stockholders.

**Allowing the Existing Stock Options to Remain Outstanding.** We did not believe allowing the significantly underwater options to remain outstanding would have an appropriately incentivizing effect, because so many of the stock options held by our employees are significantly out of the money and thus do not provide the same incentives as those employees who have received options granted more recently with lower exercise prices. Further, we believed that it could be difficult to retain employees with stock options that are significantly underwater and that the failure to retain these employees could negatively impact our business. We also considered that allowing the existing stock options to remain outstanding would not allow us to reduce our overhang and prevent us from experiencing any retentive and incentive value from the compensation expense that we record in our financial statements with respect to these significantly underwater options.



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***Exchanging Options for Cash.*** We considered implementing a program to exchange underwater options for cash payments. However, an exchange program where options are generally exchanged for cash would substantially increase our operating expenses and reduce our cash flow from operations, which could adversely affect our business and operating results. We also did not believe that such a program would have significant long-term retention value and would not serve to align our employees' interests as closely to those of our stockholders in the absence of equity incentives.

***Exchanging Options for Options with Lower Exercise Prices.*** We considered implementing a program to exchange underwater options for options having an exercise price equal to the market price of our common stock on the date of the exchange. We believed, however, that implementing an option-for-restricted stock unit exchange program would have two relative advantages to an option-for-option exchange program. As discussed above, an option-for-restricted stock unit exchange program would decrease overhang and dilution and require the grant of fewer restricted stock units than options in an option-for-option exchange program (*i.e.*, fewer shares would be subject to the replacement restricted stock unit awards granted than replacement option awards). In addition, granting restricted stock units is consistent with our current compensation philosophy.

***Increasing Cash Compensation.*** We considered increasing base salary and target bonus compensation as a means to incentivize employees with significantly underwater stock options. However, significant increases in cash compensation would increase our operating expenses and reduce our cash flow from operations, which would adversely affect our business and operating results. In addition, we believed that cash compensation alternatives would not provide as strong a focus on long-term employee retention and the execution of long-term business strategies as equity compensation.

After weighing each of the alternatives, we believe that issuing restricted stock units to employees in exchange for underwater stock options will provide our workforce with renewed incentives and motivation, as described in more detail above.

## **Implementing the Exchange Program**

We have not commenced the Exchange Program, and we will not do so unless our stockholders approve this proposal and the Compensation Committee determines that the Exchange Program complies with applicable regulatory requirements (as described in more detail below). If our stockholders approve this proposal, and our Compensation Committee determines to implement the Exchange Program, we expect the Exchange Program to commence within 12 months of the date of the Annual Meeting. If the Exchange Program does not commence within this time frame, we would not conduct another option exchange program without first seeking stockholder approval. The Exchange Date is currently anticipated to be in November 2009. Even if the Exchange Program is approved by our stockholders, the Compensation Committee will retain the authority, in its discretion, to terminate, amend or postpone the Exchange Program at any time prior to expiration of the election period under the Exchange Program (provided that the Exchange Program will not be amended to permit the issuance of restricted stock units having a value greater than the fair value of the stock options surrendered, as estimated using the Black-Scholes option valuation model).

Upon the commencement of the Exchange Program, eligible employees holding Eligible Options will receive written materials in the form of an Offer to Exchange explaining the precise terms and timing of the Exchange Program. At or before the commencement of the Exchange Program, we will file the Offer to Exchange with the SEC as part of a tender offer statement on Schedule TO. Eligible employees, as well as stockholders and members of the public, will be able to obtain the Offer to Exchange and other documents filed by us with the SEC free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov). Employees will be given at least 20 business days to elect to surrender their Eligible Options in exchange for restricted stock units. The surrendered options will be cancelled on the first business day following this election period. The new restricted stock units will be granted under the Equity Plan on the date of cancellation of the surrendered options. The shares of our common stock subject to surrendered options will not be available for future issuance under our Equity Plan once the surrendered options are cancelled. Assuming Proposal 3 is approved, one newly issued restricted stock unit shall reduce the number of shares available for future issuance under our Equity Plan by 1.43 shares.

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### **Description of the Exchange Program**

**Eligible Options.** The Exchange Program will be offered only with respect to stock options with an exercise price greater than the 52-week high trading price of our common stock prior to the Exchange Date, and will exclude any stock options granted within the 12 months preceding the commencement of the Exchange Program. This approach seeks to remove stock options with intrinsic value in the recent past from being eligible for the Exchange Program, as they would be considered likely to have intrinsic value in the near future. Because the eligibility of options will be determined based on the 52-week high of our common stock measured as of the start date of the Exchange Program, we are unable to determine as of the date of the Annual Meeting the exact number of Eligible Options.

**Eligible Employees.** The Exchange Program will be open to all of our employees and employees of any of our subsidiaries designated for participation by the Compensation Committee who hold Eligible Options. However, members of our Board of Directors and our Named Executive Officers will not be eligible to participate. In addition, we may exclude employees in certain non-U.S. jurisdictions from the Exchange Program if local tax or other laws would make their participation infeasible or impractical. To be eligible, an employee must be employed by us or one of our participating subsidiaries both at the time the Exchange Program commences and on the date the surrendered options are cancelled and restricted stock units are granted to replace them. Any employee holding Eligible Options who elects to participate but whose employment terminates for any reason prior to the grant of the restricted stock units, including voluntary resignation, retirement, involuntary termination, layoff, death or disability, will not be eligible to participate in the Exchange Program and will instead retain his or her Eligible Options subject to their existing terms. Assuming the Exchange Program commences when the 52-week high price of our common stock is under \$30 and options that have an exercise price greater than or equal to \$30 are eligible to participate, Eligible Options are currently held by approximately 4,100 eligible employees.

**Exchange Ratios.** Our objective in determining the exchange ratios under the Exchange Program is to provide for the grant of replacement restricted stock units to an employee that will have a value no greater than the value of the stock options surrendered. The exchange ratios (the ratio of the number of shares subject to surrendered options to the number of shares of restricted stock units to be issued in exchange for such options) will be established shortly before the start of the Exchange Program. Each stock option grant will be assigned an exchange ratio based on the grant date and exercise price.

We will estimate the fair value of each Eligible Option using the Black-Scholes option valuation model using certain reasonable assumptions (the option value). Each Eligible Option will be exchanged for a lesser number of restricted stock units having a value that is approximately equal to the option value of the Eligible Option (based on the assumed fair market value of one share of our common stock to be made subject to a restricted stock unit). Note, however, that we expect to incur an accounting charge of approximately \$65 million to \$85 million over the vesting period of the restricted stock units issued in the Option Exchange, because under Statement of Financial Accounting Standard No. 123 (revised 2004) (SFAS No. 123(R)) *Share-Based Payment*, we are required to use different assumptions regarding the Eligible Options for accounting purposes. Please see the section entitled *Accounting Treatment* below.

Although the exchange ratios cannot be determined now, for illustrative purposes, we assumed a commencement date where the 52-week high price of our common stock is under \$30 and therefore, options that have an exercise price greater than or equal to \$30 are eligible to participate. Based on these assumptions, we expect that the assumed Eligible Options will cover more than 250 grant dates over a 7.5 year period. For purposes of estimating the fair value of an Eligible Option under the Black-Scholes model, the following factors have been used:

the option's exercise price;

an assumed market value of \$17.09 per share of our common stock (which represents the 90-day average share price through March 1, 2009);

the expected volatility of our common stock price (the weighted-average volatility of all assumed Eligible Options was 57.4% based on the 400 trading days prior to March 1, 2009);

the expected term of the stock option, which is the assumed remaining contractual life of the stock option;

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a risk-free interest rate (the weighted-average risk-free interest rate of all assumed Eligible Options was 2.3%); and

no expected dividends.

The following table provides, for illustrative purposes only, information regarding the Exchange Program based on the assumptions presented above and information regarding our outstanding stock options as of March 28, 2009:

Total Shares Subject to Eligible Options <sup>(1)</sup>	Weighted-Average Exercise Price of the Eligible Options	Weighted-Average Expected Term of the Eligible Options (in years)	Average Exchange Ratio (Surrendered Stock Options to New Restricted Stock Units)	Total Restricted Stock Units Granted (Assuming 100% Participation) <sup>(2)</sup>
18,432,341	\$49.76	6.1	3.4 to 1	5,482,504

<sup>1</sup> We may exclude an immaterial number of shares subject to Eligible Options in a few non-US jurisdictions, where local laws would make the exchange of options for restricted stock units or restricted stock awards infeasible or impractical.

<sup>2</sup> Fractional shares have been rounded down.

The total number of restricted stock units a participating employee will receive with respect to a surrendered Eligible Option will be determined by dividing the number of shares subject to the surrendered option by the applicable exchange ratio and rounding down to the nearest whole share.

The actual exchange ratios will be established just prior to the commencement of the Exchange Program, and will vary from the assumptions presented in this discussion due to:

the trading price of our common stock prior to the commencement of the Exchange Program in comparison to the trading price used in determining the average exchange ratio set forth above,

stock option forfeitures that may occur between March 28, 2009 and the commencement of the Exchange Program, or

a change to any of the other factors used in the Black-Scholes calculation used to determine the average exchange ratio.

Outstanding options with an exercise price equal to or less than the 52-week high trading price of our common stock prior to the Exchange Date will be excluded, as will any stock options granted within the 12 months preceding the commencement of the Exchange Program.

**Election to Participate.** Eligible employees will receive a tender offer document and will be able to voluntarily elect to participate in the Exchange Program. If you are both a stockholder and an employee holding Eligible Options, note that voting to approve the Exchange Program does not constitute an election to participate in the Exchange Program. The written exchange offer documents will be provided if and when the Exchange Program is initiated; you can elect to participate only after that time. Eligible employees will have an election period of at least 20 business days from the commencement of the Exchange Program in which to determine whether they wish to participate.



***Vesting of Restricted Stock Units.*** Restricted stock units issued in the Exchange Program will be completely unvested at the time they are granted and will become vested on the basis of the participant's continued employment with us or any of our subsidiaries. The restricted stock units will have a minimum vesting period of approximately one year and a maximum vesting period of three years from the Exchange Date, depending on the extent to which the corresponding Eligible Options were vested upon surrender, as set forth in the table below.

**Table of Contents****Percentage of the**

<b>Eligible Option Vested</b>	<b>Applicable Vesting Period of Restricted Stock Units Issued in the Option Exchange (approximate)</b>	<b>Vesting Schedule of Restricted Stock Units Issued in the Option Exchange</b>
<b>Upon Surrender</b>		
Fully-vested	One Year	100% annually
More than 50% vested but less than fully-vested	Two Years	50% annually
Less than 50% vested*	Three Years	33 1/3% annually

\* Options granted within the 12 month period prior to the commencement of the Exchange Program will not be eligible to participate. A participant in the Exchange Program will generally forfeit any restricted stock units received that remain unvested at the time his or her employment with us terminates for any reason.

**Other Material Terms and Conditions of Restricted Stock Units.** Restricted stock units issued in the Exchange Program will be granted pursuant to the Equity Plan and will be subject to its terms. Each restricted stock unit issued to a participant in the Exchange Program represents a right to receive one share of our common stock on a fixed settlement date, which occurs following the date on which the restricted stock unit vests based on continued employment. A participant is not required to pay any monetary consideration to receive shares of our common stock upon settlement of restricted stock units. Employees participating in the Exchange Program generally will recognize taxable income in connection with their restricted stock units no later than the vesting of the award, although the applicable tax laws may vary from country to country. For our U.S. employees and many of our non-U.S. employees, this income is subject to income and employment or social tax withholding. We generally intend to satisfy our tax withholding obligations by deducting from the shares of common stock that would otherwise be released to employees upon the vesting of restricted stock or issued in settlement of restricted stock units a number of whole shares having a fair market value that does not exceed by more than the value of a fractional share the applicable minimum statutory withholding requirements, unless local law renders this method of withholding infeasible or impractical in which case we may decide to satisfy our withholding obligations by other means.

**Potential Modification to Exchange Program.** The terms of the Exchange Program will be described in an Offer to Exchange that will be filed with the SEC. Although we do not anticipate that the SEC would require us to materially modify the program's terms, it is possible that we will need to alter the terms of the Exchange Program to comply with comments from the SEC. Changes in the terms of the Exchange Program may also be required for tax purposes for participants in the United States as the tax treatment of the Exchange Program is not entirely certain. The Compensation Committee will retain the discretion to make any necessary or desirable changes to the terms of the Exchange Program and may determine not to implement the Exchange Program even if stockholder approval of the Exchange Program and the amendments to the Equity Plan are obtained. In addition, the Compensation Committee/Board reserves the right to amend, postpone, or cancel the Exchange Program once it has commenced.

**Modification to the Exchange Program in Certain Non-U.S. Jurisdictions**

We intend to make the Exchange Program available to our employees who are located outside of the United States, where permitted by local law. We may exclude employees in a few non-U.S. jurisdictions from the Exchange Program if local tax or other laws would make their participation infeasible or impractical. In addition, it is possible that we may need to make modifications to the terms offered to employees in countries outside the U.S. to comply with local requirements, or for tax or accounting reasons. We may decide to grant restricted stock awards (instead of restricted stock units) or new stock option awards in exchange for surrendered Eligible Options, to the extent this can mitigate adverse tax or compliance consequences to the employees. For example, in Canada, an option-for-restricted stock unit exchange is subject to taxation on the date the options are cancelled in exchange for the newly issued restricted stock units and again at vesting of the restricted stock units, which may lead to double taxation of the restricted stock units. By contrast, restricted stock awards will be taxed only at the time of the exchange, but not at subsequent vesting of the award. Therefore, in Canada, we intend to issue restricted stock awards in exchange for surrendered Eligible Options held by employees in Canada.

A restricted stock award is an award of shares of common stock that remains subject to forfeiture upon termination of employment until it has vested following a specified period of employment. A recipient of a



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restricted stock award would be entitled to vote those shares, as they are outstanding shares of common stock. Restricted stock units represent rights to receive shares of common stock on specified future dates when those rights have vested following a required period of employment. A recipient of a restricted stock unit does not have voting rights, as the shares of common stock are not issued until the restricted stock unit vests. Any restricted stock awards issued as part of the Exchange Program will be issued on the date the Eligible Options are cancelled, will be subject to the same exchange ratios as the restricted stock unit issuances, and will vest in same manner described above for new restricted stock units granted in exchange for surrendered Eligible Options.

### **Summary of United States Federal Income Tax Consequences**

We believe the exchange of Eligible Options for restricted stock units pursuant to the Exchange Program should be treated as a non-taxable exchange and that we, our stockholders and employees should recognize no income for United States federal income tax purposes upon the surrender of Eligible Options and the grant of restricted stock units. When the restricted stock units vest according to the vesting schedule above, and shares of common stock are issued to the employees, the shares issued will be subject to US income and employment taxes and applicable income and employment taxes will be withheld. To comply with our withholding requirements, we will withhold shares, provided that we will only withhold a number of shares with a fair market value equal to or below the applicable minimum withholding amounts. In order to avoid issuing fractional shares, we may round up to the next nearest number of whole shares as long as we issue no more than a single whole share in excess of the minimum withholding obligation.

The preceding paragraph is merely a summary of the anticipated material United States federal income tax consequences of participating in the Exchange Program and of holding restricted stock units. A more detailed summary of the applicable tax considerations to participants will be provided in the Offer to Exchange. The Internal Revenue Service is not precluded from adopting a contrary position and the law and regulations themselves are subject to change. The tax consequences of the Exchange Program and the receipt of restricted stock units under the Equity Plan for participating non-United States employees may differ significantly from the United States federal income tax consequences described above. All holders of Eligible Options are urged to consult their own tax advisors regarding the tax treatment of participating in the Exchange Program under all applicable laws prior to participating in the Exchange Program.

### **Accounting Treatment**

Effective with our fiscal year commencing on April 2, 2006, we adopted the provisions of SFAS No. 123(R), which requires us to estimate the fair value of share-based payment awards. Under SFAS No. 123(R), to the extent the fair value, for accounting purposes, of each award of restricted stock units granted to employees exceeds the fair value, for accounting purposes, of the stock options surrendered, such incremental amount is considered additional compensation. We currently expect to incur a non-cash compensation charge of approximately \$65 million to \$85 million over the vesting period of the restricted stock units (approximately one to three years) in addition to recognizing any remaining unrecognized expense for the stock options surrendered in exchange for the restricted stock units. In determining the fair value of the stock options surrendered for purposes of determining the exchange ratios, we used the remaining life of the option as the expected term in our Black-Scholes valuation model, rather than the expected term calculated in accordance with SFAS No. 123(R), which requires us to estimate when the option will be exercised or cancelled after vesting. While we designed the Exchange Program to fall within the guidelines for a value for value exchange, we determined that structuring the Exchange Program also to be accounting neutral (*i.e.*, so it would not require that we incur an additional compensation charge) would result in exchange ratios that would be extremely unattractive for our employees and would result in low participation rates that would undermine the purpose of the Exchange Program. The amount of actual non-cash compensation charge will depend on a number of factors, including:

the level of participation by Eligible Option holders in the Exchange Program,

the exercise price per share of Eligible Options cancelled in the Exchange Program,

the expected term of the Eligible Options cancelled in the Exchange Program,

our stock price at the time of the Exchange Program,

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the expected volatility of our stock, and

risk-free interest rates.

Since these factors cannot be predicted with any certainty at this time and will not be known until the Exchange Date, we cannot predict the exact amount of the non-cash compensation charge that will result from the Exchange Program. In the event that any of the restricted stock units are forfeited prior to their vesting due to termination of employment, the compensation expense recognized for the forfeited restricted stock units will be reversed and will not be recognized.

### **Additional Equity Grants**

The Compensation Committee believes that the Exchange Program alone will not necessarily provide a sufficiently strong retention incentive for certain key employees. Therefore, in addition to proposing adoption of the Exchange Program, the Committee intends to review the equity holdings of certain of our key employees, which will include our Named Executive Officers, in the fall of 2009 to ensure that the equity component of the total compensation package continues to provide a sufficiently strong incentive for certain key employees. The Committee may decide at that time to provide additional equity grants to certain individuals, which may include our Named Executive Officers, if deemed warranted based on a number of factors, including performance and an evaluation of the value of the equity holdings of these key employees relative to internal comparisons and external competitive practices at that time. These equity awards, if granted, will partially offset the reduction in overhang achieved by the Exchange Program. Stockholder approval is not required for granting these equity awards and thus, they are not part of Proposal 2.

### **New Plan Benefits**

Because the decision of eligible employees to participate in the Exchange Program is completely voluntary, we are not able to predict how many employees will elect to participate, how many options of any class described in the table above under the heading "Description of Exchange Program Exchange Ratios" will be surrendered for exchange or the number of restricted stock units that may be issued. As noted above, members of our Board of Directors and our Named Executive Officers are not eligible to participate in the Exchange Program.

### **Effect on Stockholders**

We are not able to predict the impact the Exchange Program will have on our stockholders because we are unable to predict how many employees will exchange their Eligible Options. The Exchange Program was designed to provide renewed incentives and motivate the eligible employees to continue to create stockholder value and reduce the number of shares currently subject to outstanding options, thereby avoiding the dilution in ownership that normally results from supplemental grants of new stock options or other awards. As explained above, the net reduction in shares subject to outstanding equity awards resulting from the Exchange Program could vary depending on factors such as the level of participation by our employees in the Exchange Program. The reduction in overhang may also be partially offset by the grant of additional equity grants.

### **Required Vote and Board of Directors Recommendation**

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting on this proposal.

Our Board of Directors believes that the proposed Exchange Program will strengthen incentives for employees currently holding underwater stock options to remain with our company and to contribute to our growth and success.

*The Board recommends a vote FOR approval of the Exchange Program.*

**Table of Contents*****PROPOSAL 3. AMENDMENTS TO THE 2000 EQUITY INCENTIVE PLAN***

The 2000 Equity Incentive Plan, which initially was approved by the stockholders on March 22, 2000, continues EA's program of providing equity incentives to eligible employees, officers and directors. We offer these incentives in order to assist in recruiting, retaining and motivating qualified employees, officers and directors. Since the Equity Plan's adoption, 78,585,000 shares of common stock have been reserved for issuance. The following summary of the proposed amendments to the Equity Plan is subject to the specific provisions contained in the full text of the Equity Plan, as proposed to be amended, which we have filed with the SEC along with this proxy statement. For more information regarding the Equity Plan, we urge you to read the full text of the Equity Plan, as proposed to be amended, or the summary of its material terms, as proposed to be amended, included as Appendix A of this proxy statement.

*We are proposing amendments to the 2000 Equity Incentive Plan that would:*

***Increase the number of shares authorized under the Equity Plan by 20,800,000 shares to a total of 99,385,000 shares***

We believe that alignment of the interests of our stockholders and our employees, officers and directors is best advanced through the issuance of equity incentives as a portion of their total compensation. In this way, we reinforce the link between our stockholders and our employees, officers and directors' focus on personal responsibility, creativity and stockholder returns. Equity incentives such as stock options and restricted stock units also play an important role in our recruitment and retention strategies, as the competition for creative and technical talent and leadership in our industry is intense.

While equity is a strategic tool for recruitment and retention, we also carefully manage stock option and restricted stock unit issuances and strive to keep the dilutive impact of the equity incentives we offer within a reasonable range. Historically, we have made a significant portion of our equity grants in a given fiscal year in connection with our annual reviews and merit increases. During fiscal 2009, we granted stock options to purchase a total of approximately 6,291,000 shares and restricted stock units to acquire a total of 6,394,000 shares. Together these stock option and restricted stock unit grants represented approximately 4% of our total shares outstanding as of March 31, 2009.

As described in Proposal 2, we expect to implement an Exchange Program under which eligible employees will be offered the opportunity to surrender underwater stock options in exchange for a lesser number of restricted stock units to be granted under the Equity Plan. The surrendered options will be cancelled and the shares subject to the surrendered options will not be available for future issuance under our Equity Plan. Assuming 100% participation based on our current assumptions regarding the structure of the Exchange Program, we anticipate that 18,432,341 shares subject to the eligible options would be cancelled and the Exchange Program will require the issuance of restricted stock units to receive 5,482,504 shares. Going forward, we intend to continue to responsibly manage issuances of equity incentive awards under the Equity Plan.

The Equity Plan contains several features designed to protect stockholders' interests. For example, the Equity Plan does not allow any options to be granted at less than 100% of fair market value, and the exercise price of outstanding options issued under the Equity Plan may not be reduced without stockholder approval. The Equity Plan does not contain an evergreen provision whereby the number of authorized shares is automatically increased on a regular basis. In addition, the Equity Plan prohibits us from loaning, or guaranteeing the loan of, funds to participants under the Equity Plan.

***Amend the Equity Plan so that each share subject to a full value stock award would reduce the number of shares available for issuance by 1.43 shares, instead of the current multiple of 1.82 shares.***

At the 2008 Annual Meeting of Stockholders, the stockholders approved an amendment to the Equity Plan to remove the specific limitation on the number of shares that may be granted as restricted stock or restricted stock units over the life of the Equity Plan and replaced it with an alternate method of calculating the number of shares remaining available for issuance under the Equity Plan (sometimes referred to as a fungible equity grant pool). As a result, each share subject to an option or stock appreciation award currently reduces the number of shares available for issuance under Equity Plan by one (1) share, and each share subject to a full value stock award (*i.e.*, restricted stock or restricted stock units) reduces the number of shares available for





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issuance by 1.82 shares. Due to the decreased valuation of our equity, we believe that it is appropriate that each share subject to a full value stock award reduce the number of shares available for issuance by 1.43 shares (rather than 1.82 shares) following the 2009 Annual Meeting. This change will provide us with greater flexibility to utilize the shares remaining available for issuance under the Equity Plan.

**Plan Benefits**

Except for the automatic stock option and restricted stock unit grants to non-employee directors, the amount and timing of awards granted under the Equity Plan are determined in the sole discretion of the administrator and therefore cannot be determined in advance. The future awards that would be received under the Equity Plan by executive officers and other employees are discretionary and are therefore not determinable at this time.

**Required Vote and Board of Directors Recommendation**

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting for or against the proposal.

*The Board recommends a vote FOR the amendments to the 2000 Equity Incentive Plan.*

**Table of Contents*****PROPOSAL 4. AMENDMENT TO THE 2000 EMPLOYEE STOCK PURCHASE PLAN***

The 2000 Employee Stock Purchase Plan, which initially was approved by the stockholders on July 27, 2000, provides our employees with a convenient means of purchasing equity in the Company through payroll deductions. It also provides an incentive for continued employment. Since its adoption, 9,800,000 shares of common stock have been reserved for issuance under the Purchase Plan. The Purchase Plan is intended to qualify as a employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, for participants residing in the United States.

Since the adoption of the Purchase Plan, we have experienced significant growth in the number of employees who elect to participate in the Purchase Plan. The following table presents information since the beginning of fiscal 2007 relating to the aggregate number of shares purchased under the Purchase Plan, as well as the number of employees who have participated in the Purchase Plan.

	<b>Shares Purchased Pursuant to the Purchase Plan</b>	<b>No. of Employees Participating as of the Last Purchase Date in Fiscal Year</b>
Fiscal 2007	705,188	4,255
Fiscal 2008	892,130	4,342
Fiscal 2009	1,322,892	4,494
Fiscal 2010	(1)	4,548 <sup>(2)</sup>

<sup>(1)</sup> Fiscal 2010 purchases under the 2000 Purchase Plan will be made in August 2009 and February 2010.

<sup>(2)</sup> Represents estimated number of participants in the 2000 Purchase Plan as of May 15, 2009. Participants have the right to withdraw from the 2000 Purchase Plan at any time prior to a purchase date. The number of participants may increase or decrease prior to February 2010, the last purchase date in fiscal 2010.

***We are proposing an amendment to the 2000 Employee Stock Purchase Plan that would:***

***Increase the number of shares authorized under the Purchase Plan by 3,000,000 shares to a total of 12,800,000 shares.***

The proposed amendment would increase the number of shares authorized under the Purchase Plan by 3,000,000 to a total of 12,800,000, an amount that we expect will continue to permit all current and potential future employees to fully participate in the Purchase Plan at least through fiscal 2010. The 3,000,000 shares that we are requesting this year is double the 1,500,000 shares approved by the stockholders at the 2008 Annual Meeting of Stockholders. Due to the significant decrease in EA's share price, we expect the number of shares to be purchased by our employee participants to increase substantially. We believe that the Purchase Plan plays an important role to incentivize our employees and to encourage equity ownership, which serves to align their interests with our stockholders.

For more information about the Purchase Plan, we urge you to read the summary of its material terms included as Appendix B to this proxy statement.

**Required Vote and Board of Directors Recommendation**

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting for or against the proposal.

*The Board recommends a vote FOR the amendment to the 2000 Employee Stock Purchase Plan.*

**Table of Contents****PROPOSAL 5. RATIFICATION OF THE APPOINTMENT OF KPMG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

KPMG LLP has audited the financial statements of EA and its consolidated subsidiaries since fiscal 1987. The Board, through the Audit Committee, has appointed KPMG LLP as EA's independent auditors for fiscal 2010. The Audit Committee and the Board believe that KPMG LLP's long-term knowledge of EA and its subsidiaries is valuable to the Company. Representatives of KPMG LLP have direct access to members of the Audit Committee and the Board. We expect one or more representatives of KPMG LLP to attend the Annual Meeting in order to respond to appropriate questions from stockholders, and to make a statement if they desire to do so.

Ratification of the appointment of KPMG LLP as our independent auditors is not required by our bylaws or otherwise. The Board of Directors has determined to submit this proposal to the stockholders as a matter of good corporate practice. If the stockholders do not ratify the appointment, the Audit Committee will review their future selection of auditors. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and the stockholders.

**Fees of Independent Auditors**

The aggregate fees billed for the last two fiscal years for each of the following categories of services are set forth below:

Description of Fees	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>Audit<sup>(1)</sup></b>		
Worldwide audit fee	\$ 4,699,000	\$ 4,775,000
Accounting concurrence and regulatory matters	147,000	120,000
Total audit fees	4,846,000	4,895,000
<b>Audit-Related Fees<sup>(2)</sup></b>		
Benefit plan audits	55,000	76,000
Total audit-related fees	55,000	76,000
<b>Tax<sup>(3)</sup></b>		
Compliance	896,000	669,000
Planning		
Total tax fees	896,000	669,000
<b>All Other Fees<sup>(4)</sup></b>		
Total all other fees		439,000
Total All Fees	\$ 5,797,000	\$ 6,079,000

<sup>(1)</sup> Audit Fees: This category includes the annual audit of the Company's financial statements and internal controls over financial reporting (including required quarterly reviews of financial statements included in the Company's quarterly reports on Form 10-Q), and services normally provided by the independent auditors in connection with regulatory filings. This category also includes consultation on matters that arose during, or as a result of the audit or review of financial statements, statutory audits required for our non-US subsidiaries, and services associated with our periodic reports and other documents filed with the SEC and foreign filings, as well as Sarbanes-Oxley Section 404 compliance consultation.

<sup>(2)</sup> Audit-Related Fees: This category consists primarily of fees related to the annual audit of our 401(k) benefit plan.

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<sup>(3)</sup> Tax Services: This category includes compliance services rendered for U.S. and foreign tax compliance and returns, and transfer pricing documentation, as well as planning and advice, which consists primarily of technical tax consulting.

<sup>(4)</sup> Other: In fiscal 2008, this category included accounting and tax due diligence related to potential and completed acquisitions.

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***Services Provided by the Independent Auditors***

The Audit Committee is required to pre-approve the engagement of, and has engaged, KPMG LLP to perform audit and other services for the Company and its subsidiaries. The Company's procedures for the pre-approval by the Audit Committee of all services provided by KPMG LLP comply with SEC regulations regarding pre-approval of services. Services subject to these SEC requirements include audit services, audit-related services, tax services and other services. The audit engagement is specifically approved and the auditors are retained by the Audit Committee. In some cases, pre-approval for a particular category or group of services is provided by the Audit Committee for up to a year, subject to a specific budget and to regular management reporting. In other cases, the Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve additional services up to a specified dollar limit, and such pre-approvals are then communicated to the full Audit Committee.

The Audit Committee considered and determined that fees for services other than audit and audit-related services are compatible with maintaining KPMG LLP's independence.

**Required Vote and Board of Directors Recommendation**

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting for or against the proposal.

*The Board recommends a vote FOR the ratification of KPMG LLP as our independent auditors for fiscal 2010.*

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

*The following Report of the Audit Committee shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that EA specifically incorporates it by reference into a filing.*

The Audit Committee of the Board of Directors operates under a written charter, which was most recently amended in May 2006. The Audit Committee is comprised of three non-employee directors, each of whom in the opinion of the Board of Directors meets the current independence requirements and financial literacy standards of the NASDAQ Marketplace Rules, as well as the independence requirements of the Securities and Exchange Commission. During fiscal 2009, the Audit Committee consisted of Gregory B. Maffei, Vivek Paul and Richard A. Simonson. In the opinion of the Board of Directors, Mr. Maffei and Mr. Simonson each meet the criteria for a financial expert as set forth in applicable SEC rules, as well as the above-mentioned independence requirements.

EA's management is primarily responsible for the preparation, presentation and integrity of the Company's financial statements. EA's independent registered public accounting firm, KPMG LLP ( independent auditors ), is responsible for performing an independent audit of the Company's (i) financial statements and expressing an opinion as to the conformity of the financial statements with U.S. generally accepted accounting principles, and (ii) internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and issuing a report thereon.

The function of the Audit Committee is to assist the Board of Directors in its oversight responsibilities relating to the integrity of EA's accounting policies, internal controls and financial reporting. The Audit Committee reviews EA's quarterly and annual financial statements prior to public earnings releases and submission to the SEC; reviews and evaluates the performance of EA's internal audit function; reviews and evaluates the performance of EA's independent auditors; consults with the independent auditors and EA's internal audit function regarding internal controls and the integrity of the Company's financial statements; assesses the independence of the independent auditors; and is responsible for the selection of the independent auditors. In this context, the Audit Committee has met and held discussions with members of management, EA's internal audit function and the independent auditors. Company management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. Company management has also represented to the Audit Committee that the Company's internal control over financial reporting was effective as of the end of the Company's most recently-completed fiscal year, and the Audit Committee has reviewed and discussed the Company's internal control over financial reporting with management and the independent auditors. The Audit Committee also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged With Governance), as amended, including the quality and acceptability of the Company's financial reporting process and internal controls. The Audit Committee has also discussed with the Company's independent auditors the overall scope and plans for their annual audit and reviewed the results of that audit with management and the independent auditors.

In addition, the Audit Committee has discussed with the independent auditors the auditors' independence from the Company and its management, including the matters in the written disclosures required by the Public Company Accounting Oversight Board (United States). The Audit Committee has also considered whether the provision of any non-audit services (as described above under Proposal 5. Ratification of the Appointment of KPMG LLP, Independent Registered Public Accounting Firm Fees of Independent Auditors ) and the employment of former KPMG LLP employees by the Company is compatible with maintaining the independence of KPMG LLP.

The members of the Audit Committee are not engaged in the practice of auditing or accounting. In performing its functions, the Audit Committee necessarily relies on the work and assurances of the Company's management and independent auditors.

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In reliance on the reviews and discussions referred to in this report and in light of its role and responsibilities, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company as of and for each of the last three years ended March 31, 2009 be included for filing with the SEC in the Company's Annual Report on Form 10-K for the year ended March 31, 2009. The Audit Committee has also approved the selection of KPMG LLP as the Company's independent auditors for fiscal 2010.

**AUDIT COMMITTEE**

**Gregory B. Maffei (Chairman)**

**Vivek Paul**

**Richard A. Simonson**



**Table of Contents****PRINCIPAL STOCKHOLDERS**

The following table shows, as of May 15, 2009, the number of shares of our common stock owned by our directors, executive officers named in the Summary Compensation Table below, our current directors and executive officers as a group, and beneficial owners known to us holding more than 5% of our common stock. As of May 15, 2009, there were 322,954,870 shares of our common stock outstanding. Except as otherwise indicated, the address for each of our directors and executive officers is c/o Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065.

Stockholder Name	Shares Owned <sup>(1)(2)</sup>	Right to Acquire <sup>(3)</sup>	Percent of Outstanding Shares <sup>(4)</sup>
Fidelity Management & Research <sup>(5)</sup>	18,249,119		5.7
Lawrence F. Probst III <sup>(6)</sup>	1,130,369	2,684,500	1.2
John S. Riccitiello	89,794	162,000	*
Frank D. Gibeau	36,738	221,675	*
Eric F. Brown	13,380	75,000	*
John F. Pleasants	12,046	160,000	*
Linda J. Srere	11,998	98,072	*
Gregory B. Maffei	10,000	92,966	*
Leonard S. Coleman	10,196	124,972	*
Vivek Paul	6,318	45,633	*
Gary M. Kusin	5,214	85,100	*
Richard A. Simonson	1,894	28,800	*
Jeffrey T. Huber	1,272	1,050	*
Geraldine B. Laybourne	927	3,150	*
Peter Moore	733	157,125	*
Warren C. Jenson <sup>(7)</sup>			*
All executive officers and directors as a group (20) persons <sup>(2)(8)</sup>	1,439,142	5,135,910	2.0

\* Less than 1%

(1) Unless otherwise indicated in the footnotes, includes shares for which the named person has sole or shared voting and investment power. Excludes shares that may be acquired through stock option exercises.

(2) Includes unvested shares of restricted stock acquired by the following executive officers in connection with EA's 2006 stock option exchange program: Mr. Barker, 6,250 shares, Mr. Gibeau, 12,502 shares, and Mr. Linzner, 12,500 shares.

(3) Includes (a) shares of common stock that may be acquired through stock option exercises within 60 days of May 15, 2009, (b) in the case of Messrs. Coleman, Kusin, Maffei, Paul and Simonson, reflects 1,900 restricted stock units that have vested but remain unexercised, and (c) in the case of Mr. Moore and Mr. Gibeau, 3,125 restricted stock units and 4,375 restricted stock units, respectively, that vest within 60 days of May 15, 2009.

(4) Calculated based on the total number of shares owned plus the number of shares that may be acquired through stock option exercises and the vesting of restricted stock units within 60 days of May 15, 2009.

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- (5) Based on information contained in a report on Form 13F filed with the SEC in which Fidelity Management & Research indicated that, as of March 31, 2009, it had sole power to vote or direct the vote of 18,249,119 shares. The address for Fidelity Management & Research is 82 Devonshire Street, Boston, MA 02109.
- (6) Includes 87,886 shares of common stock held by Mr. Probst's grantor's retained annuity trust, 16,669 shares held by Mr. Probst's spouse, and 469,713 shares held by the Probst Family LP, of which Mr. Probst is a partner.
- (7) Mr. Jenson served as EA's Chief Financial and Administrative Officer until April 13, 2008. He remained an employee of EA after he ceased serving as our Chief Financial and Administrative Officer through September 30, 2008.
- (8) Includes all executive officers and directors of EA as of May 15, 2009.

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***COMPENSATION OF EXECUTIVE OFFICERS***

**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis describes our executive compensation program for fiscal 2009. We use this program to attract, motivate, reward, and retain the key individuals that lead our business.

This discussion describes our executive compensation program and addresses how we made compensation decisions in fiscal 2009 for our:

Chief Executive Officer, John S. Riccitiello,

Executive Vice President, Chief Financial Officer, Eric F. Brown,

Former Executive Vice President, Chief Financial and Administrative Officer, Warren C. Jenson,

President, EA Games, Frank D. Gibeau

President, EA SPORTS, Peter Moore

President, Global Publishing Organization & Chief Operating Officer, John F. Pleasants

Collectively, these individuals (excluding Mr. Jenson) are referred to in this discussion as the *Named Executive Officers*. The compensation of the *Named Executive Officers* is set forth in the compensation tables that follow this Compensation Discussion and Analysis.

Mr. Jenson served as our Chief Financial Officer for a brief period during fiscal 2009 until Mr. Brown joined the Company on April 14, 2008. In March 2008, we entered into an agreement with Mr. Jenson pursuant to which he remained an employee of EA after he ceased serving as our Chief Financial Officer through September 30, 2008. Mr. Jenson continued to receive his then-current base salary and the other standard benefits available to executive officers in similar positions, including coverage under our health, life insurance, and disability plans and eligibility to participate in our Section 401(k) plan and fiscal 2008 annual bonus plan. Mr. Jenson did not participate in any annual bonus plan or receive any equity awards in fiscal 2009.

**Fiscal Year 2009 Overview**

We began fiscal 2009 with a redesigned executive compensation program that was intended to reward individual and company performance based upon the achievement of certain pre-established operating objectives and our projected fiscal 2009 financial plan. As part of the fiscal 2009 executive compensation program redesign, we modified our annual cash bonus program to emphasize (i) the Company's overall performance as a whole, measured against a target equivalent to the high end of the fiscal 2009 net revenue and earnings per share guidance range we provided in early fiscal 2009, (ii) in certain cases, the performance of an executive's specific business unit, and (iii) an executive's individual performance. In addition, to strengthen the link between our executive compensation program and our operating performance, we granted our executive officers performance-based restricted stock units ( *Performance-Based RSUs* ) in May 2008 that were tied to the achievement of certain non-GAAP net income targets. At the time the *Performance-Based RSUs* were granted, the highest of these targets corresponded to our fiscal 2011 corporate financial objectives, which we publicly disclosed in February 2008.

During the quarter ending December 31, 2008, we achieved sales below expectations due to a combination of factors, including lower than expected sales of our games in the quarter and the extremely challenging global economic environment. In light of these results, Company management implemented a significant cost reduction plan that includes a narrowing of our product portfolio, a reduction in our worldwide

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workforce of approximately 11%, or 1,100 employees, the closure of 10 facilities, and reductions in other variable costs and capital expenditures. Our fiscal 2009 results also caused us to fund our 2009 target bonus program at significantly below target bonus levels and we decided not to provide merit salary increases for our employees in fiscal 2010. Further, we experienced a deep decline in the price of our common stock in our third fiscal quarter of 2009, which has caused most of our outstanding employee stock options to be significantly underwater.

In light of these macro-economic and company-specific circumstances, including our cost-reduction efforts and workforce reductions, Company management and the Compensation Committee believed that it was important to

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address potential retention concerns with respect to employees critical to our restructuring efforts and our long-term financial and operational success. In December 2008, we granted stock options to our executive officers, including certain of the Named Executive Officers, and equity awards comprised of a mix of stock options and RSUs to other key employees. In the fourth quarter of fiscal 2009, the Committee made the decision to extend the performance period for the Performance-based RSUs granted to executive officers for an additional two years through June 30, 2013, without changing the financial performance criteria of those awards.

### **Compensation Philosophy**

We operate in an intensely competitive business environment, which is characterized by ongoing technological advances, constantly changing and difficult-to-predict consumer tastes and preferences, and the continual emergence of new competitors and technologies. Notwithstanding the global economic downturn, the market for technical, creative, marketing and other personnel essential to the development, marketing, and sales of our products remains extremely competitive. Similarly, the market for talented executives with the skills, experience, integrity and dedication necessary to oversee a dynamic organization and the vision to anticipate and respond to emerging market developments remains equally competitive if not more so in a challenging economic environment.

Our success as a global leader in the interactive entertainment industry depends heavily on attracting, motivating, and rewarding a highly-skilled and experienced management team. At the same time, our leading position within the interactive entertainment industry makes us a prime target for our competitors (which range from very small start-up companies with limited resources to very large, diversified corporations with greater financial and marketing resources than ours) seeking to recruit executives and key creative talent.

Accordingly, it is imperative that our executive compensation program be competitive with the organizations with which we compete for executive talent, so that we are able to attract, motivate, reward, and retain the individuals that we believe are capable of leading the Company. At the same time, our program must support our strategic business objectives, promote the short-term and long-term profitable growth of the Company, set challenging performance goals and reflect current economic conditions. To achieve these objectives, our compensation philosophy is predicated on two basic principles:

A significant portion of each executive officer's total cash compensation should be performance-based and at risk, with this amount dependent from year to year on the Company's financial and operational performance, the operational performance of the executive's specific business unit, as appropriate, and his or her individual performance.

To align each executive officer's interests with the long-term interests of our stockholders, a significant portion of his or her compensation should be equity-based.

Further, we believe that an executive officer's compensation must be appropriate in light of his or her experience, responsibilities, and performance. Our executive compensation program is designed to be consistent with this philosophy and to maintain parity between the compensation of our executive officers.

### **Compensation-Setting Process**

The Compensation Committee of the Board is responsible for establishing the Company's compensation philosophy and making the pay decisions for our executive officers. The Committee's scope of authority is set forth in a written charter and includes the oversight and administration of all compensation, equity, and employee benefit plans and programs, including the annual bonus and equity compensation plans for executive officers.

The Committee has regularly-scheduled meetings on a quarterly basis and holds additional meetings as needed during the year. The Committee also takes action by written consent, often after informal telephone discussions and other communications among the Committee members and members of management. During fiscal 2009, the Committee met 11 times, four of which were regularly-scheduled quarterly meetings and the remainder of which were special sessions to consider a variety of items, including compensatory aspects of strategic transactions, special compensation and equity retention programs, annual compensation reviews and increases, executive promotions, executive relocations, the terms and conditions of the compensation arrangements for new, departing, and continuing executives, and other administrative matters.



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For its regularly-scheduled meetings, the Committee maintains a calendar to help guide the meeting agendas and to ensure fulfillment of the various responsibilities outlined in the Committee's charter. In fiscal 2009, this calendar included a comprehensive review of compensation levels of senior executives, review of the compensation levels for members of our Board, review and approval of all executive officer employment offers and promotions, review and approval of the fiscal 2009 bonus payments, and a review of all actions taken by management using authority delegated by the Committee.

In fiscal 2009, the Committee reviewed and approved the base salaries (or, as appropriate, the base salary adjustments), target bonus opportunities, and equity awards of each of our executive officers, including the Named Executive Officers, other than Mr. Riccitiello, whose base salary, target bonus opportunity, and equity award were developed and recommended by the Committee and approved by the Board.

For additional information about the Compensation Committee, see the section entitled "Board, Board Meetings and Committees" set forth above in this proxy statement.

### ***Compensation Consultants***

The Committee has the authority to engage the services of outside advisors. During fiscal 2009, the Committee engaged Compensia, Inc., a national compensation consulting firm, to assist with the Committee's analysis and review of the compensation of our executive officers and other aspects of our total compensation strategy. Compensia also advised the Committee with respect to the Electronic Arts Executive Bonus Plan for fiscal 2009, including recommendations regarding participation, target bonuses and performance criteria.

Compensia works directly with the Committee Chair and Committee members and sends all invoices, including descriptions of services rendered, to the Committee Chair for review and payment approval. Compensia performed no work at the request of our management team during fiscal 2009.

From time to time, our management separately engages outside advisors in connection with our compensation practices. In fiscal 2009, we retained Frederic W. Cook & Co. to assist management and the Committee with a review of compensation levels for members of the Board.

### ***Role of Management***

Some of our executive officers are involved in formulating executive compensation recommendations for the Committee and/or the Board. Ms. Gabrielle Toledano, our Executive Vice President of Human Resources, is responsible for conducting an annual analysis of market trends, providing documentation of individual executive performance, and creating initial recommendations of base salary adjustments, potential bonus payments, and potential equity awards for our executive officers. To assist in the development of these initial recommendations, our Human Resources Department participates in several comprehensive executive compensation surveys, including the Radford High Technology Executive and International Compensation Surveys to access information for our peer group companies (as defined below) and the Croner Entertainment & Educational Software Compensation Survey. Mr. Riccitiello reviews and provides input on these recommendations (except with respect to his own compensation) prior to and during review by the Committee. Mr. Riccitiello, assisted by Ms. Toledano, annually performs an individual performance review for each executive officer, which is then provided to the Committee.

Ms. Toledano also oversees the preparation of the Committee's meeting materials, works with the Committee Chair to set the meeting agenda, and attends all Committee meetings. In addition, Mr. Riccitiello regularly attends Committee meetings (except when his own compensation is being discussed).

### ***Competitive Positioning***

For fiscal 2009, at the direction of the Committee, Compensia conducted a comprehensive analysis of our executive compensation program. This analysis was developed using data from the Radford High Technology Executive and International Compensation Surveys, the Croner Entertainment & Educational Software Compensation Survey and publicly available compensation information from a group of peer companies selected by our management with input from the Committee and Compensia. For fiscal 2009, this group consisted of (a) companies of comparable size, geographic markets, financial performance, and expected growth rates and

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(b) companies that compete with us for executive talent in the media and entertainment and technology industries.

The fiscal 2009 group of peer companies (the Peer Group ) consisted of:

Activision	Lions Gate Entertainment
Adobe Systems	Mattel
Amazon	Symantec
eBay	Take-Two Interactive Software
Hasbro	THQ
IAC / Interactive	Viacom
Intuit	Warner Music Group
Liberty Media Capital	Yahoo!

This peer group was re-evaluated in December 2009. Liberty Media Capital was no longer considered to be an appropriate peer company in light of our business and was removed from the Peer Group. This update made to the Peer Group did not impact the compensation decisions for our Named Executive Officers. Compensia compared each of our executive-level positions to similar positions as reflected in the survey data and the Peer Group information to establish base salary, target cash and equity incentive awards, and target total cash compensation ranges. This analysis was reviewed by Ms. Toledano and our Human Resources Department with Mr. Riccitiello for each executive-level position and with the Committee for our Chief Executive Officer and other positions at or above the level of Senior Vice President.

The Committee used the survey data and the Peer Group information to validate the range of competitive pay for the business sectors in which we compete for executive talent. Based on its assessment of the competitive marketplace, the Company's long-term strategic objectives, our need for a strong management team to help us achieve our operating objectives, and our desire to minimize retention risk, the Committee referenced the 50th to 75th percentile of the combined survey data and Peer Group information as the relevant range for base salaries, target bonus opportunities, and total cash compensation on average, and the 75th percentile for equity awards for our executive officers. The Committee believes that paying above average compensation is necessary to remain competitive in our industry.

During fiscal 2009, these base salary, target bonus opportunity, and target total cash compensation ranges were considered by management in formulating individual compensation recommendations for the Committee to consider. These ranges, together with management's recommendations, served as a reference point for the Committee in making compensation determinations for most of the executive officers and recommendations to the Board for Mr. Riccitiello. Because these decisions were influenced by the Company's actual financial and operational results, as well as each executive officer's individual performance, his or her total cash compensation, and any individual compensation component, may be within, below, or above the market range for his or her position.

The market ranges established by Compensia also helped the Committee in assessing the competitive placement of our executive officers' total direct compensation for fiscal 2009. The Committee's assessment of an individual executive officer's compensation relative to market range took into consideration the scope, complexity, and responsibility of the executive's position in relation to positions in the data sources. In setting actual compensation, the Committee considered each executive officer's experience, responsibility level, individual performance, and the Company's actual financial and operational results for the year (measured against pre-established objectives and potential performance targets for the subsequent year). In addition, the Committee also compared the compensation of the executive officers with each other, as well as the highest-paid employees at the Company, to monitor internal pay equity. While the Committee does not use fixed ratios when conducting this analysis, typically it tries to ensure that the total compensation paid to each of our executive officers is reasonable when compared to our employees generally.

**Compensation Elements**

Our executive compensation program is comprised of three principal components: base salary, an annual cash bonus and equity awards.



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### ***Base Salary***

We believe that a competitive base salary is the essential foundation to providing an attractive total compensation package for our executives. Typically, base salaries are initially set to reflect an executive officer's position, responsibilities, and experience with subsequent adjustments based largely on individual performance and other factors as described below.

The Committee reviews and approves the base salaries for our executive officers, including the Named Executive Officers, as part of its annual compensation review, considering a number of factors, including the position's complexity and level of responsibility, the position's importance in relation to other executive positions, and an assessment of the executive's performance. As previously described, Mr. Riccitiello, assisted by Ms. Toledano, annually performs an individual performance review for each executive officer, which is then provided to the Committee. The Nominating and Governance Committee of the Board, with the assistance of Ms. Toledano, reviews Mr. Riccitiello's performance, which review is then provided to the Committee. In addition, as noted above, the Committee considers the third quartile of base salaries as reflected in the survey data and Peer Group information.

From time to time, the Committee may review and adjust the base salaries of certain executive officers at its discretion, including upon a change in an executive's role or responsibilities and to ensure internal pay equity with other executive officers at a comparable level in the Company. During its May 2008 compensation review, the Committee decided to adjust the base salaries of certain of our executive officers, including certain of the Named Executive Officers, for fiscal 2009. For those Named Executive Officers receiving base salary adjustments, the increases were 6.1% in the aggregate. Our non-executive employees received base salary adjustments of 4.8% in the aggregate.

Accordingly, during fiscal 2009, the Committee increased Mr. Riccitiello's base salary by 6.7% to \$800,000; Mr. Gibeau's base salary by 9.0% to \$545,000; and Mr. Moore's base salary by 2.7% to \$565,000. Mr. Brown's base salary was set at \$600,000 when he was appointed Chief Financial Officer, effective April 14, 2008. Mr. Pleasant's base salary was set at \$600,000 when he was appointed President, Global Publishing & Chief Operating Officer.

The Committee recommended the increase in Mr. Riccitiello's base salary, which was approved by the Board, based on their desire to position his base salary closer to a competitive level relative to similar positions in the Peer Group and an evaluation of his individual performance. In determining the base salary increases for Mr. Gibeau and Mr. Moore, the Committee considered the competitive salary levels of similar positions in the Peer Group, as well as internal comparisons and their individual performance.

During May 2009, the Committee decided not to increase the base salaries of our executive officers, including the Named Executive Officers, for fiscal 2010. The Committee's decision was consistent with the Company's decision not to make base salary adjustments for other executives and employees for fiscal 2010 as part of the Company's cost reduction program.

### ***Annual Cash Bonus***

As discussed above in Compensation Philosophy one of the two basic tenets of our compensation philosophy is that a significant portion of each executive officer's total cash compensation should be performance-based and at risk. With this in mind, we use cash incentives to deliver competitive total cash compensation to our executive officers that is linked to the achievement of both the Company's annual financial objectives and individual performance objectives and, for those employees with direct responsibility for the development or publishing of products, business unit performance. For fiscal 2009, the Committee reviewed and approved target bonus opportunities (expressed as a percentage of base salary) for each executive officer, including the Named Executive Officers, intended to deliver target total cash compensation (base salary plus target bonus opportunity) in the third quartile of annual incentive compensation as reflected in the survey data and Peer Group information. Mr. Riccitiello's target bonus opportunity for fiscal 2009, which was 100% of his base salary, was determined to be competitive relative to other chief executive officers of the companies in the Peer Group.

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As with base salaries, the Committee seeks to deliver total cash compensation at levels within the third quartile to reflect target cash compensation opportunities that it believes are necessary to attract, motivate, reward, and retain highly-qualified executives while also allowing flexibility to recognize executives such as those who have additional responsibilities or skills which are critical to the Company's success.

During fiscal 2009, the annual bonuses for our executive officers were determined by evaluating actual Company and individual performance relative to certain performance measures under two separate annual incentive plans, the Electronic Arts Executive Bonus Plan (the Executive Bonus Plan) and the Electronic Arts Annual Bonus Plan (the Annual Bonus Plan).

*Executive Bonus Plan*

The Executive Bonus Plan is a cash bonus plan pursuant to which bonuses awarded to participating executive officers are intended to qualify as tax deductible performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code. For fiscal 2009, the Executive Bonus Plan required that the Company achieve at least 75% of the pre-established non-GAAP earnings per share target in order to fund a pool from which participating executive officers were eligible to receive a bonus payment. For fiscal 2009, the Company did not achieve adjusted non-GAAP earnings per share sufficient to meet the minimum funding requirement under the Executive Bonus Plan. As a result, no bonuses were funded or paid under the Executive Bonus Plan in fiscal 2009.

The Company uses certain adjusted non-GAAP financial measures when establishing performance-based bonus and equity award targets, such as non-GAAP earnings per share, non-GAAP net revenue and non-GAAP net income, to exclude the following items (as applicable, in a given reporting period): amortization of intangibles, stock-based compensation, acquisition-related expenses, restructuring charges, income tax adjustments, changes in deferred net revenue, losses on investments, and goodwill impairment, among others. In addition, the Company makes further adjustment to the publicly disclosed non-GAAP financial measures to add back bonus expense.

*Annual Bonus Plan*

The Annual Bonus Plan is a discretionary bonus program in which both executive and non-executive employees were eligible to participate during fiscal 2009. When no bonuses are funded under the Executive Bonus Plan, such as in fiscal 2009, the Committee may decide to award discretionary bonus payments to executive officers, under the terms of the Annual Bonus Plan. Discretionary bonus awards under the Annual Bonus Plan are not designed to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code.

Under the Annual Bonus Plan, bonus payments for eligible employees for fiscal 2009 were generally determined by aggregating the results of Company performance and individual performance, and, for those employees with direct responsibility for the development or publishing of products, business unit performance. With respect to the Named Executive Officers, target bonuses were comprised of the following components: 50% Company performance and 50% individual performance for Mr. Riccitiello, Mr. Brown and Mr. Pleasants; 30% Company performance, 40% business unit performance and 30% individual performance for Mr. Gibeau and Mr. Moore.

For fiscal 2009, the Company did not generate non-GAAP net revenue or adjusted non-GAAP earnings per share at levels sufficient to meet the minimum funding requirements for the Company component of the Annual Bonus Plan. Accordingly, bonuses for employees eligible under the Annual Bonus Plan, including our Named Executive Officers, were funded with reference to individual performance and the attainment of business unit objectives, where applicable.

In May 2009, the Committee exercised its discretion and decided to award bonuses to our executive officers, including the Named Executive Officers, under the Annual Bonus Plan. While the Company's fiscal 2009 financial performance did not meet its publicly stated objectives, the Committee nevertheless recognized significant strategic achievements that were not reflected in the Company's disappointing fiscal 2009 financial performance. In reaching this decision to partially fund the Company's bonus program, the Committee was influenced by several factors, including (1) improvements in game quality and innovation of the Company's products, (2) the development of critically-acclaimed new intellectual property, (3) the attainment by some

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business units of their fiscal 2009 financial plan goals, (4) the implementation of the Company's cost reduction program and the resulting cost savings in the Company's operating expenses, (5) significant developments in the Company's online, direct-to-consumer and wireless businesses, and (6) individual performance achievements in a difficult business environment. The Committee then determined the actual bonus payment of each Named Executive Officer, considering their achievement of individual objectives for which bonus targets have been established, and their personal performance during fiscal 2009.

In the case of Mr. Riccitiello, the Board, based on the Committee's recommendation, awarded a cash bonus of \$400,000, which reflects 50.0% of his base salary. This payment was based on Mr. Riccitiello's achievement of his individual performance objectives for fiscal 2009, and his target bonus opportunity of 100% of his base salary.

For each of the other Named Executive Officers, the Committee approved a cash bonus of \$200,000, which reflects between 33.3% and 36.7% of their base salaries. This payment was based on the achievement by each of these Named Executive Officers of his individual performance objectives for fiscal 2009, and the target bonus opportunity of 75% of his base salary. In the case of Mr. Pleasants, pursuant to the terms of Mr. Pleasants' offer letter dated February 19, 2008, he was guaranteed a minimum bonus of \$200,000 (minus applicable deductions).

In May 2009, the Committee approved amendments to our Annual Bonus Plan, which is now known as the Discretionary Bonus Plan, to provide for greater flexibility in order to motivate our employees further and drive the Company's financial performance in fiscal 2010. Bonuses will be based on performance during the period covering the second through fourth quarters of the fiscal year ending March 31, 2010, with actual bonus payouts determined based on (i) the Company's financial performance (based on revenue and an adjusted measure of non-GAAP earnings) measured against pre-determined performance targets for this three-quarter period, (ii) for some groups, the participant's business unit's performance measured against pre-determined targets for the three-quarter period, and (iii) the participant's individual performance during the three-quarter period.

For the performance period covering the first quarter of the fiscal year ending March 31, 2010, the Company has adopted a bonus program based on certain targets for the quarter. All regular status employees, including executive officers, of the Company (and its subsidiaries and affiliates), are eligible to participate in the program. Payments made pursuant to the program will be shared equally by all plan participants if the targets for the quarter are achieved. If the Company distributed the maximum amounts payable under the program, each participant would receive a nominal payment. If the targets are not achieved, no amounts would be paid under the plan.

***Equity Awards***

As discussed above in *Compensation Philosophy*, we believe that alignment of the interests of our executive officers and our stockholders is significantly advanced through the issuance of equity awards as a portion of their total direct compensation. In this way, we reinforce the link between our stockholders and our executive officers' focus on personal responsibility, creativity, and stockholder returns. We also believe that delivering a portion of their total direct compensation in the form of long-term equity awards helps encourage a long-term view in an industry that is subject to lengthy business cycles. Equity incentives such as stock options and RSUs also play an important role in our recruitment and retention strategies, as the competition for creative and technical talent and leadership in our industry is intense.

Executive officers are eligible to receive equity awards when they first join the Company, in connection with a significant change in responsibilities, annually to provide incentives for continued performance, and occasionally, to achieve internal parity between different executive positions or to meet retention objectives. The target value granted to each executive officer is determined by the Committee, after considering a number of factors, including the executive's position and level of responsibility, an assessment of his or her performance, the value of equity awards for similar positions in the external market (as referenced by the 75th percentile in the survey data and Peer Group information), and internal parity among similarly-situated executives.

The Committee grants target equity awards to our executive officers as a mix of stock options and RSU awards. This mix delivers 70% of the target equity award value in stock options and 30% of the target equity award value in RSUs. This compensation mix reflects the Committee's belief that stock options are an important vehicle for

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encouraging equity ownership by executive officers and aligning their interests with the interests of our stockholders, whereas RSUs strengthen the retention of key employees. The Committee also reviews the estimated total pool of stock options and RSU awards to be granted to executive officers and other employees to ensure that share use remains in line with internal targets.

*Performance-Based RSUs*

On May 15, 2008, the Board, upon the recommendation of the Committee, approved grants of Performance-Based RSUs to certain executive officers, including the Named Executive Officers. The Performance-Based RSUs are intended to strengthen the link between the compensation the Company offers its executive officers and the Company's achievement of its long-term financial objectives. These Performance-Based RSUs were expected to be granted to the Company's executive officers in lieu of annual stock option grants they would have otherwise been eligible to receive in fiscal 2009 and fiscal 2010.

The Performance-Based RSUs vest in three equal amounts, with the vesting of each amount being contingent upon the Company's achievement of one of three progressively higher adjusted non-GAAP net income targets (as measured on a trailing-four-quarter basis). These targets range from approximately two to three times the Company's non-GAAP net income for fiscal 2008. Upon vesting, each Performance-Based RSU will be converted into one share of the Company's common stock. To the extent that the Company does not achieve one or more of the non-GAAP net income targets by June 30, 2013, the portion of the award that would have vested upon the achievement of the applicable target will be cancelled.

The Performance-based RSUs were originally designed to vest, if at all, during a performance period of May 2008 through June 30, 2011. During the fourth quarter of fiscal 2009, Company management and the Committee re-evaluated the objectives of the Performance-Based RSU program in light of changing market conditions and the Company's performance, and determined that the Performance-Based RSUs had lost much of their value as retention and motivational tools. As a result of that evaluation, the Committee made the decision to extend the performance period during which the Performance-Based RSUs may vest for an additional two years through June 30, 2013. Due to the modification of the performance period, the Performance-Based RSUs will not qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code.

The Performance-Based RSUs were awarded based on established guidelines per position level as follows:

<b>Named Executive Officer</b>	<b>Performance-Based RSU Grants</b>
Mr. Riccitiello	200,000
Mr. Brown	100,000
Mr. Gibeau, Mr. Moore, Mr. Pleasants	125,000

*Time-Based RSUs*

Consistent with our compensation philosophy, during June 2008 certain of these executive officers were also granted time-based RSUs vesting ratably on an annual basis over a four-year period. The intention at the time was to design the size of these time-based RSU grants so that they would correspond to 30% of the total equity award value for fiscal 2009 that each executive officer would have received had we continued to grant stock options (instead of the Performance-Based RSUs). This combination of performance-based and time-based RSUs was intended to motivate our executive officers to help us achieve our long-term business objectives and to strengthen our retention of these individuals.

Time-Based RSUs are also provided based on established guidelines per position level. Mr. Gibeau and Mr. Moore each were awarded grants in the amount of 12,500 shares in June 2008.

**Table of Contents***Special Equity Awards*

In November 2008, the Committee approved a special equity program to address the retention and motivation challenges of key employees in light of extraordinary economic conditions and the fact that substantially all of the outstanding stock options held by these employees were significantly underwater. The Committee believed that it was critical to maintain strong leadership at the Company in light of the significant challenges in the economic environment. The goal of this special equity program was to strengthen the total compensation package for these individuals in response to the risk of losing key personnel to other companies in light of the fact that depressed equity values would allow these employees to receive attractive option awards at other companies. Under this special program, certain officers and other employees, including the Named Executive Officers (other than Mr. Riccitiello) were granted a stock option award in December 2008. These options first vest as to 25% of the shares on December 1, 2009, another 25% of the shares on December 1, 2010, and the remaining 50% of the shares on December 1, 2011.

These stock option grants were provided as follows:

<b>Named Executive Officer</b>	<b>Stock Option Grant</b>
Mr. Brown, Mr. Pleasants	100,000
Mr. Gibeau	200,000
Mr. Moore	125,000

The Committee intends to review the equity holdings of certain of our key employees in the fall of 2009 to ensure that the equity component of the total compensation package continues to provide a sufficiently strong incentive for certain key employees. The Committee may decide at that time to provide additional equity grants to certain individuals, which may include our Named Executive Officers, if deemed warranted based on a number of factors, including performance, an evaluation of the value of the equity holdings of these key employees relative to internal comparisons, external competitive practices at that time and the exclusion of the Named Executive Officers from our Option Exchange program.

*Equity Awards Grant Practices*

All equity awards granted to executive officers were approved by the Committee in advance of the grant date and were made on the 16th of the month in which they were granted (or on the next NASDAQ trading day thereafter if the 16th of the month fell on a Saturday, Sunday, or holiday).

The Committee has delegated limited authority for determining and approving equity grants for vice presidents and other non-executive employees, consisting of pre-defined size limits and vesting schedules, to a committee consisting of Mr. Riccitiello and Ms. Toledano, which we refer to as the Management Committee. The Management Committee is generally responsible for all equity awards to employees below the Senior Vice President level, up to an annual grant limit of stock options to purchase 30,000 shares and 10,000 RSUs. The Management Committee reports on its activities to the Committee on at least an annual basis.

*Benefits and Retirement Plans*

We provide a comprehensive benefits package to all of our regular, full-time employees, including the Named Executive Officers, which includes medical, dental, prescription drug, vision care, disability insurance, life insurance, accidental death and dismemberment (AD&D) insurance, a flexible spending plan, business travel accident insurance, a tax-qualified Section 401(k) savings plan, an educational reimbursement program, an adoption assistance program, an employee assistance program, an employee stock purchase plan, certain paid holidays and personal time off, including vacation, sick, or personal days off.

We do not offer a retirement plan to our executive officers, including the Named Executive Officers, other than through participation in the tax-qualified Section 401(k) savings plan we offer to all eligible employees or a comparable savings plan in locations outside of the United States. All participants in the Section 401(k) savings plan are eligible to receive a matching company contribution of up to 6% of their base salary, depending upon the Company's financial performance for the fiscal year.

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We maintain a nonqualified deferred compensation plan (the "DCP") that allows certain employees, including the Named Executive Officers, and our directors to defer receipt of their base salary or director fees, as the case may be, into cash accounts that mirror the gains and/or losses of a variety of different investment funds. These investment funds correspond to the funds that we offer to participants in the tax-qualified Section 401(k) savings plan. Eligible employee-participants may defer receipt of up to 75% of their base salary until a date or dates they specify. None of the Named Executive Officers participated in the DCP during fiscal 2009.

### ***Perquisites and Other Personal Benefits***

Historically, we believe we have taken a conservative approach with respect to providing perquisites and other personal benefits to our executive officers, including the Named Executive Officers. While our executive officers generally receive the same benefits that are available to our other regular, full-time employees, they also receive certain other benefits, including access to a company-paid executive physical program, company-paid life insurance, AD&D, and long-term disability insurance with greater maximum benefit levels, and paid parking at locations where free parking is not available. We consider these benefits to be standard components of a competitive executive compensation package. In the case of the life insurance, AD&D, and long-term disability insurance, our primary objective is to provide the same level of coverage as is available to all other regular, full-time employees but that is above our general policy due to covered earnings caps.

Company-provided air and ground transportation is limited solely to business travel.

### ***Relocation Assistance***

We also provide certain benefits to our employees, including our executive officers, in connection with domestic relocations, including home sale and purchase assistance, household goods and car shipment, travel, temporary housing, car rental, storage, miscellaneous relocation allowance, house-hunting trips, and tax protection to offset costs incurred by our executives as a result of these relocations. In fiscal 2009, Messrs. Brown, Pleasants, and Moore received certain of these relocation-related benefits, which have been reported in the "All Other Compensation" column of the "Summary Compensation Table" set forth below.

### ***Post-Employment Arrangements***

#### ***Change of Control Plan***

From time to time, we may recruit executives from other companies where they have job security, tenure and career opportunities. In accepting a position with us, an executive is often giving up his or her current job stability for the challenges and potential risks of a new position. Through the Electronic Arts Inc. Key Employee Continuity Plan (the "CoC Plan"), we mitigate the harm that the executive would suffer if he or she were terminated by the Company for reasons beyond his or her control in conjunction with a change of control of the Company. This type of severance benefit also allows existing executives to focus on the Company's business without being unduly distracted by concerns about their job security in the event of a change of control. Finally, we expect that this benefit will act as an additional incentive for eligible participants to comply with their post-termination covenants, such as the non-solicitation requirement described below, and confidentiality obligations.

The CoC Plan is a double-trigger change of control plan. Pursuant to the CoC Plan, any eligible employee, including the Named Executive Officers, may receive certain benefits if his or her employment is terminated either without cause (as defined in the CoC Plan) or if he or she resigns for good reason (as defined in the CoC Plan) during the 12-month period following a change of control of the company or if his or her employment is terminated without cause during the two-month period preceding a change of control of the company. Eligible employees include all employees at the level of vice president and above.

The CoC Plan benefits include:

a cash severance payment based on a multiple of base salary and target bonus or annual incentive opportunity;

continued health benefits for a period ranging from six to 18 months, depending on the executive's position with the Company; and



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full and immediate vesting of all outstanding and unvested equity awards (other than certain portions of performance-based awards, which may be subject to acceleration depending on the specific terms of such awards, as described below).

The cash severance payment that Mr. Riccitiello, company-level presidents (including the presidents of our labels and our president of publishing), and executive vice presidents (including Mr. Brown, our Chief Financial Officer) are entitled to receive upon a qualifying termination of employment under the CoC Plan is equal to 150% of the sum of that executive's annual base salary and target annual bonus or incentive opportunity. We believe that this level of severance benefits will assist us in recruiting talented individuals to join and remain a part of our management team.

Upon a change of control of the Company, an executive may be subject to certain excise taxes imposed under Section 280G of the Internal Revenue Code (Section 280G). The CoC Plan does not provide for any additional payments (for example, tax gross-ups or reimbursements) in the event that the benefits under the CoC Plan and other arrangements offered by the Company or its affiliates cause an executive to owe an excise tax under Section 280G. However, the CoC Plan provides that, if an executive would receive a greater net after-tax benefit by having CoC Plan benefits reduced to an amount that would avoid the imposition of the Section 280G excise tax, his or her cash severance payment will be reduced accordingly.

As a condition to each executive's right to receive the benefits provided under the CoC Plan, the executive is required to execute a waiver of claims against the Company and will be bound by the terms of a non-solicitation agreement prohibiting the executive, for a one-year period following his or her termination of employment, from soliciting our employees to leave the Company.

***Performance-Based RSUs Treatment Upon Change of Control***

In the event of a change of control of the Company (as defined in the Performance-Based RSU award agreement), the Performance-Based RSUs discussed above shall be converted into time-based RSUs, vesting on June 30, 2013 subject to two exceptions. If the recipient's employment is terminated without cause by the Company or is terminated for good reason by the recipient (as such terms are defined in the Performance-Based RSU award agreement), within one year of the change of control event, the RSUs will vest upon the termination date of the recipient's employment and if, during the two months immediately preceding a change of control, the recipient's employment is terminated by the Company without cause, and such termination is made in connection with the change of control, as determined by the Compensation Committee in its sole discretion, then the RSUs will vest on the date of the change of control event. The Committee feels that these terms allow the recipients of the RSUs to focus on the Company's business and keep their interests aligned with the Company's in the event of a potential change of control.

***Severance Plan***

We maintain an ERISA-governed severance plan (the Severance Plan) that applies to (a) all of our U.S.-based employees whose jobs are terminated due to a reduction in force and (b) any other employee we select to participate in the plan upon his or her termination of employment. Under the Severance Plan, eligible employees may receive a cash severance payment equal to two weeks of pay, with any additional payments to be determined solely at our discretion. In addition, under the Severance Plan, we will pay the premiums for continued health benefits, if such benefits are continued pursuant to COBRA, for a time period equal to the number of weeks of cash severance paid.

Any severance arrangements with our executive officers, including the Named Executive Officers, whether paid pursuant to the Severance Plan or otherwise, require the prior approval of the Committee. In the event of a change of control of the Company, the cash severance payment payable under the Severance Plan may be reduced, in whole or in part, by any amount paid under the CoC Plan.

***Treatment of Stock Options Upon Retirement***

In May 2004, we implemented a special retirement provision in connection with the exercise of outstanding vested stock options following a qualifying termination of employment. All stock option grants made after April 2004 to employees, including the Named Executive Officers, contain this provision. Under the standard



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provisions of our employee stock option plans, an optionee generally has three months following his or her termination of employment to exercise his or her stock options that had vested as of his or her termination date. After three months, these options expire. For an optionee whose length of service to the Company plus age equals 60, and whose length of service is at least 10 years, this special retirement provision extends this post-termination exercise period up to 60 months following termination of employment (but in no event beyond the original term of the stock option).

### **Stock Ownership Requirements**

In fiscal 2004, the Board implemented stock ownership requirements for all of our executive officers who are subject to Section 16 of the Securities Exchange Act of 1934. These requirements are based on multiples of the executive officer's base salary, and range from one to six times an individual's annual base salary depending on his or her level within the Company. In some cases, these requirements are phased in on the basis of the executive officer's tenure.

The Committee monitors these stock ownership requirements and believes that they further align the interests of our executive officers with those of our stockholders. As of March 31, 2009, each of our executive officers, including the Named Executive Officers, had either met his or her then-applicable ownership requirements or had not yet reached the date on which he or she is required to meet his or her ownership requirement.

### **Stock Trading Policy**

We have adopted a policy designed to promote compliance by all of our employees with both federal and state insider trading laws. Under this policy, certain employees (including all of our executive officers) who regularly have access to material, non-public information about the Company are prohibited from buying or selling shares of the Company's common stock during periods when the Company's trading window is closed (unless such transactions are made pursuant to a pre-approved Exchange Act Rule 10b5-1 trading plan). When the trading window is open, these employees (including all of our executive officers) are prohibited from buying or selling shares of the Company's common stock while in possession of material, non-public information about the Company and must request a trading clearance from our General Counsel prior to engaging in a trading transaction (unless such transaction is made pursuant to a pre-approved Exchange Act Rule 10b5-1 trading plan).

In addition, we believe it is improper and inappropriate for any of our employees to engage in any transaction designed to result in a benefit from a decline in the trading price of the Company's common stock. As such, our directors, executive officers, and other employees may not engage in short sales of shares of the Company's common stock under any circumstances, including trading in puts and calls that increase in value from a decline in the trading price of our stock.

### **Tax and Accounting Policies**

#### ***Section 162(m)***

Section 162(m) of the Internal Revenue Code limits the ability of a public company to deduct the remuneration of its chief executive officer and each of the next three most highly compensated executive officers other than its chief financial officer (the "covered employees") in excess of \$1 million, except for certain compensation which qualifies as "performance-based compensation". Under this exception, certain types of compensation are deductible by the Company without regard to the \$1 million limitation if certain conditions are satisfied and the plan or arrangement is approved by stockholders. We have endeavored to structure our executive compensation plans and arrangements to maximize deductibility under Section 162(m) with minimal sacrifices of flexibility and impact on corporate objectives. The Executive Bonus Plan is designed to operate consistent with this strategy, though no bonuses were funded and paid under this plan in fiscal 2009. Discretionary bonuses paid under the Annual Bonus Plan in fiscal 2009 do not qualify as "performance-based compensation" within the meaning of Section 162(m).

Further, the Committee has structured our use of stock options in a manner intended to ensure deductibility of the amounts realized upon an option exercise. While the Committee has the ability to grant performance-based RSUs that qualify for the "performance-based compensation" exception to Section 162(m), the Performance-Based RSUs granted in May 2008 do not qualify as "performance-based compensation" within the meaning of

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Section 162(m) of the Internal Revenue Code, due to the subsequent modification to the terms of these awards to extend the performance period by an additional two years.

With respect to non-equity compensation arrangements, the Committee has reviewed the terms of those arrangements most likely to be subject to the \$1 million limitation of Section 162(m). In fiscal 2009, the compensation paid to Mr. Moore and Mr. Pleasants, which included for each of them a signing bonus and relocation-related financial assistance, exceeded the Section 162(m) deductibility threshold by approximately \$410,000 for Mr. Moore and \$780,000 for Mr. Pleasants. Mr. Brown, our Chief Financial Officer, was not considered a covered employee for purposes of Section 162(m) during fiscal 2009.

While the Committee will continue to consider deductibility under Section 162(m) with respect to future compensation arrangements with our executive officers, deductibility will not be the only, or necessarily the primary, factor in determining appropriate levels or modes of compensation. Since corporate objectives may not always be consistent with the requirements for full deductibility, it is possible that we may, if consistent with our compensation philosophy, enter into compensation arrangements in the future under which payments are not fully deductible under Section 162(m).

### ***Accounting for Stock-Based Compensation***

In fiscal 2007, we began accounting for stock-based compensation awards in accordance with the requirements of SFAS No. 123(R), *Share-Based Payment*. The comparable compensation expense of RSUs and stock options under SFAS No. 123(R) has removed a financial reporting disincentive to use RSUs that existed before we began expensing stock options under that accounting standard. As such, in anticipation of the adoption of SFAS No. 123(R), we began granting RSUs to certain overtime-eligible employees during calendar year 2005. In calendar year 2006, we expanded the use of RSUs to all employee groups, including our executive officers.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

*The following Compensation Committee Report on Executive Compensation shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that EA specifically incorporates it by reference into a filing.*

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on its review and discussions with management, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

### **COMPENSATION COMMITTEE**

**Linda J. Srere (Chair)**

**Leonard S. Coleman**

**Geraldine B. Laybourne**

**Table of Contents****FISCAL 2009 SUMMARY COMPENSATION TABLE**

The following table shows information concerning the compensation earned during fiscal 2009 by our Chief Executive Officer, our Chief Financial Officer, our former Chief Financial and Administrative Officer, and our next three most highly compensated executive officers. We refer to these individuals collectively as the Named Executive Officers. The following table also includes information for those Named Executive Officers, whose compensation was included in our 2007 and 2008 proxy statements.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Non Equity			Total (\$)	
				Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Incentive Plan Compensation (\$) <sup>(3)</sup>		All Other Compensation (\$) <sup>(4)</sup>
JOHN S. RICCIETELLO Chief Executive Officer	2009	793,749		1,055,461	4,115,305	400,000	1,308	6,365,823
	2008	750,000			3,663,074	625,350	3,958	5,042,382
ERIC F. BROWN Chief Financial Officer	2009	577,731	100,000 <sup>(5)</sup>	1,553,953	1,031,884	200,000	481,459	3,945,027
JOHN F. PLEASANTS President, Global Publishing and Chief Operating Officer	2009	600,840		1,516,595	1,793,494	200,000	324,197	4,435,126
PETER MOORE President, EA SPORTS	2009	564,624		1,443,741	1,589,290	200,000	486,711	4,284,366
	2008	317,308	1,500,000 <sup>(6)</sup>	356,729	807,631	330,000	190,073	3,501,741
FRANK D. GIBEAU President, EA Games	2009	538,917		1,755,959	1,566,565	200,000	8,058	4,069,499
	2008	484,395		1,000,070	1,360,605	299,542	9,885	3,154,497
WARREN C. JENSON <sup>(7)</sup> Former Chief Financial and Administrative Officer	2009	303,147					64,635	367,782
	2008	591,243		544,394	286,073	203,024	12,255	1,636,989
	2007	571,392		203,242	2,080,784	637,226	2,126,071	5,618,715

<sup>(1)</sup> Represents the expense recognized by EA in fiscal 2009, as well as in the prior fiscal years presented, for financial statement reporting purposes in accordance with SFAS No. 123(R), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of restricted stock units granted to the Named Executive Officers. No stock awards were forfeited by any of the Named Executive Officers in fiscal 2009 with the exception of 17,500 stock awards that were forfeited by Mr. Jenson upon his termination of employment. The amounts reflected above represent the value determined by EA under SFAS 123(R) for financial statement reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by vesting in a restricted stock unit award). For additional information regarding the valuation methodology used by EA, see Note 13, Stock-Based Compensation and Employee Benefit Plans, of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009. For additional information regarding the specific terms of restricted stock units granted to the Named Executive Officers in fiscal 2009, see the Fiscal 2009 Grants of Plan-Based Awards Table below.

<sup>(2)</sup> Represents the expense recognized by EA in fiscal 2009, as well as in the prior fiscal years presented, for financial statement reporting purposes in accordance with SFAS No. 123(R), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of stock options granted to the Named Executive Officers. No stock options were forfeited by any of the Named Executive Officers in fiscal 2009 with the exception of 652,500 stock options that were forfeited by Mr. Jenson upon his termination of employment. The amounts reflected above represent the value determined by EA under SFAS 123(R) for financial statement reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of EA's stock options, see Note 13, Stock-Based Compensation and Employee Benefit Plans, of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009. For additional information regarding the specific terms of stock options granted to the Named Executive Officers in fiscal 2009, see the Fiscal 2009 Grants of Plan-Based Awards Table below.

<sup>(3)</sup> Represents amounts awarded under EA's Annual Bonus Plan for fiscal 2009. For further information regarding the bonuses paid to our Named Executive Officers in fiscal 2009, see "Annual Cash Bonus" in the Compensation Discussion and Analysis above.

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(4)

**All Other Compensation Table**

Name	Year	Basic and Group	Company-	Relocation-	Tax	Other	Total
		Term Life Premiums, Executive Disability and Executive Physical Fees			matching 401(k) Contributions		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
JOHN S. RICCIETELLO	2009	1,308					1,308
	2008	3,958					3,958
ERIC F. BROWN	2009	1,199		420,459 <sup>(A)</sup>	59,801		481,459
JOHN F. PLEASANTS	2009	3,021		236,510 <sup>(B)</sup>	84,666		324,197
PETER MOORE	2009	4,114		287,941 <sup>(C)</sup>	194,656		486,711
	2008	3,766		139,390 <sup>(D)</sup>	46,917		190,073
FRANK D. GIBEAU	2009	1,308	6,750				8,058
	2008	3,135	6,750				9,885
WARREN C. JENSON	2009	654	6,750			57,231 <sup>(E)</sup>	64,635
	2008	5,505	6,750				12,255
	2007	1,098	13,200	26,648 <sup>(F)</sup>	41,495	2,043,630 <sup>(G)</sup>	2,126,071

(A) Relocation-related costs for Mr. Brown include costs of a house hunting trip, temporary housing, home sale costs, home purchase costs, storage, shipping of household goods and a miscellaneous relocation allowance.

(B) Relocation-related costs for Mr. Pleasants include costs of a house hunting trip, temporary housing, home sale costs, home purchase costs, storage, and shipping of household goods.

(C) Relocation-related costs for Mr. Moore in fiscal 2009 include costs of a house hunting trip, temporary housing, home sale costs, home purchase costs, storage, shipping of household goods and a miscellaneous relocation allowance.

(D) Relocation-related costs for Mr. Moore in fiscal 2008 include costs of a house hunting trip, temporary housing, home sale costs, storage, and shipping of household goods.

(E) Represents the payment upon Mr. Jenson's termination of employment for accrued paid time-off/vacation pay.

(F) Relocation-related costs for Mr. Jenson include storage and shipping of household goods.

(G) Includes \$2,000,000 forgiveness of a loan to Mr. Jenson and \$43,630 in imputed interest income on the loan.

<sup>(5)</sup> Represents a hiring bonus of \$100,000 for Mr. Brown.

<sup>(6)</sup> Represents a hiring bonus of \$1,500,000 for Mr. Moore.

<sup>(7)</sup> Mr. Jenson served as EA's Chief Financial and Administrative Officer until April 13, 2008. He remained an employee of EA after he ceased serving as our Chief Financial and Administrative Officer through September 30, 2008.

**Table of Contents****FISCAL 2009 GRANTS OF PLAN-BASED AWARDS TABLE**

The following table shows information regarding equity and non-equity plan-based awards granted to the Named Executive Officers during fiscal 2009.

Name	Grant Date <sup>(1)</sup>	Approval Date <sup>(1)</sup>	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(2)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>			All Other Stock Awards: Number of Shares of Stock or	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#) <sup>(4)</sup>	Options (#) <sup>(5)</sup>	(\$/Sh) <sup>(6)</sup>	(\$) <sup>(7)</sup>
John S. Riccitiello	5/16/2008	5/15/2008		800,000	2,400,000							9,920,000
Eric F. Brown	4/16/2008	2/12/2008		450,000	1,575,000							
	4/16/2008	2/12/2008						83,300 <sup>(9)</sup>	250,000 <sup>(8)</sup>	52.02	4,236,725	
	5/16/2008	5/15/2008							100,000		4,960,000	
	12/16/2008	11/21/2008							100,000 <sup>(10)</sup>	16.06	626,320	
John F. Pleasants	5/16/2008	5/15/2008		450,000	1,575,000							6,200,000
	12/16/2008	11/21/2008							100,000 <sup>(10)</sup>	16.06	626,320	
Peter Moore	5/16/2008	5/15/2008		423,750	1,483,125							6,200,000
	6/16/2008	5/15/2008										588,250
	12/16/2008	11/21/2008							12,500 <sup>(9)</sup>	16.06	782,900	
Frank D. Gibeau	5/16/2008	5/15/2008		408,750	1,430,625							6,200,000
	6/16/2008	5/15/2008										588,250
	12/16/2008	11/21/2008							12,500 <sup>(9)</sup>	16.06	1,252,640	
Warren C. Jenson												

(1) Each grant was approved on the approval date indicated above by our Compensation Committee for grant on the specific grant date indicated above. For more information regarding our grant date policy, see "Compensation Discussion and Analysis" above.

(2) The target incentive amounts shown reflect our annual cash bonus plan awards originally provided under the Electronic Arts Executive Bonus Plan and represent the target awards pre-established as a percent of salary. The maximum amounts represent the greatest payout, which could have been made if the pre-established performance level was met or exceeded. For fiscal 2009, EA did not achieve the minimum funding requirement under the Executive Bonus Plan and the discretionary bonus payments were made to the Named Executive Officers pursuant to the Annual Bonus Plan. Actual 2009 payouts to the Named Executive Officers under the Annual Bonus Plan are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above. For more information regarding the bonuses paid to our Named Executive Officers in fiscal 2009, see "Annual Cash Bonus" in the Compensation Discussion and Analysis above.

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- (3) The target incentive awards shown reflect grants of performance-based restricted stock units granted under our 2000 Equity Incentive Plan. The awards vest in three equal amounts with the vesting of each amount contingent upon EA's achievement of one of three progressively higher adjusted non-GAAP net income targets (as measured on a trailing four-quarter basis). The performance period with respect to these awards ends June 30, 2013. For more information regarding these awards, see "Equity Awards" in the Compensation Discussion and Analysis above.
- (4) Represents awards of restricted stock units granted under our 2000 Equity Incentive Plan. Upon vesting, each restricted stock unit automatically converts into one share of EA common stock, and does not have an exercise price or expiration date. The restricted stock units are not entitled to receive dividends, if any, paid by EA on its common stock.
- (5) Represents stock options granted under our 2000 Equity Incentive Plan.
- (6) The exercise price of all stock options was 100% of the fair market value on the date of grant (based on the closing price of our common stock on the NASDAQ Global Select Market on the date of grant).



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- (7) Represents the value estimated by EA for reporting purposes only, in accordance with SFAS No. 123(R) for awards of stock options and restricted stock units. The amounts reflected above represent the value determined by EA for reporting purposes only and does not reflect whether the recipient has actually realized a financial benefit from the awards. For additional information regarding the valuation methodology used by EA, see Note 13, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009.
- (8) Stock option vests as to 24% of the shares on the first day of the calendar month that includes the one-year anniversary of the option grant date, and will then vest and become exercisable as to an additional 2% of the shares on the first calendar day of each month thereafter for 38 months.
- (9) Restricted stock units vest as to 25% of the shares on each of the first three anniversaries of the grant date, with the remaining shares vesting on the fourth anniversary of the grant date.
- (10) Stock option vests as to 25% of the original grant on December 1, 2009 and 25% on December 1, 2010, and will vest as to the remaining 50% on December 1, 2011.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table shows information regarding all outstanding equity awards held by the Named Executive Officers as of the end of fiscal 2009.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>
John S. Riccitiello	138,000	712,000 <sup>(3)</sup>	49.90	5/10/2017	200,000 <sup>(4)</sup>	3,738,000
Eric F. Brown		250,000 <sup>(5)</sup> 100,000 <sup>(6)</sup>	52.02 16.06	4/16/2018 12/16/2018	100,000 <sup>(4)</sup> 83,300 <sup>(7)</sup>	1,869,000 1,556,877
John F. Pleasants	120,000	380,000 <sup>(8)</sup> 100,000 <sup>(6)</sup>	45.86 16.06	3/17/2018 12/16/2018	125,000 <sup>(4)</sup> 56,250 <sup>(9)</sup>	2,336,250 1,051,313
Peter Moore	126,000	224,000 <sup>(10)</sup> 125,000 <sup>(6)</sup>	53.73 16.06	9/17/2017 12/16/2018	50,000 <sup>(11)</sup> 12,500 <sup>(12)</sup> 125,000 <sup>(4)</sup>	934,500 233,625 2,336,250
Frank D. Gibeau	12,600 60,000 25,900 35,000 14,700 38,000	100,000 <sup>(13)</sup> 9,100 <sup>(14)</sup> 35,000 <sup>(15)</sup> 20,300 <sup>(16)</sup> 62,000 <sup>(17)</sup> 200,000 <sup>(6)</sup>	31.32 48.79 57.42 52.03 51.64 49.71 50.80 16.06	10/7/2012 10/24/2013 9/2/2015 3/1/2016 8/16/2016 6/18/2017 8/16/2017 12/16/2018	12,500 <sup>(12)</sup> 9,376 <sup>(18)</sup> 10,000 <sup>(19)</sup> 3,750 <sup>(20)</sup> 3,126 <sup>(18)</sup> 5,000 <sup>(21)</sup> 125,000 <sup>(4)</sup>	233,625 175,237 186,900 70,088 58,425 93,450 2,336,250
Warren C. Jenson						

<sup>(1)</sup> All stock options and restricted stock units were granted pursuant to EA's 2000 Equity Incentive Plan.

<sup>(2)</sup> Represents time-based and performance-based restricted stock units. The market value was calculated by multiplying the number of unvested restricted stock units by \$18.69, the closing price of EA's common stock on March 27, 2009, the last trading day of our fiscal year.

- (3) Option vests per the following: 72,000 of these shares vested on April 1, 2008 and 228,000 shares vests in additional 2% increments on the first calendar day of each month thereafter for the following 38 months; 275,000 shares will vest as to 100% on April 1, 2010; and 275,000 shares will vest as to 100% on April 1, 2012.

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- (4) Performance-based restricted stock units vest in three equal amounts with the vesting of each amount contingent upon EA's achievement of one of three progressively higher adjusted non-GAAP net income targets (as measured on a trailing four-quarter basis). The performance period with respect to these awards ends June 30, 2013. For more information regarding these awards, see "Equity Awards" in the Compensation Discussion and Analysis above.
- (5) Option vested as to 24% on April 1, 2009, then vests as to an additional 2% of the original grant each month until June 1, 2012.
- (6) Options vests as to 25% of the original grant on December 1, 2009, then vests as to an additional 25% on December 1, 2010, and will continue to vest as to the remaining 50% on December 1, 2011.
- (7) Restricted stock units vested as to 25% of the original grant on April 16, 2009, then vests as to an additional 25% on April 16, 2010, 25% on April 16, 2011 and the remaining 25% on April 16, 2012.
- (8) Option vested as to 24% on March 1, 2009, then vests as to an additional 2% of the original grant each month until May 1, 2012.
- (9) Restricted stock units vested as to 25% of the original grant on March 17, 2009, then vests as to an additional 25% on March 17, 2010, 25% on March 17, 2011 and the remaining 25% on March 17, 2012.
- (10) Option vested as to 24%, on September 1, 2008, then vests as to an additional 2% of the original grant each month until November 1, 2011.
- (11) Restricted stock unit vests as to 50% of the shares on September 17, 2009 and the remaining 50% of the shares on September 17, 2011.
- (12) Restricted stock unit vests as to 25% of the original grant on June 16, 2009, 25% on June 16, 2010, 25% on June 16, 2011 and the remaining 25% on June 16, 2012.
- (13) Option vests and becomes exercisable as to 100% of the original grant on September 2, 2009.
- (14) Option vested and became exercisable as to 24% of the original grant on February 1, 2007, then vests as to an additional 2% of the original grant each month until April 1, 2010.
- (15) Options vested and became exercisable as to 25% of the original grant on July 1, 2007 and 25% on July 1, 2008 and will continue to vest as to 25% on July 1, 2009 and the remaining 25% on July 1, 2010.
- (16) Option vested and became exercisable as to 24% of the original grant on June 1, 2008, then vests as to an additional 2% of the original grant each month until August 1, 2011.

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- <sup>(17)</sup> Option vested and became exercisable as to 24% of the original grant on August 1, 2008, then vests as to an additional 2% of the original grant each month until October 1, 2011.
- <sup>(18)</sup> Restricted stock award granted in conjunction with the 2006 Option Exchange program. Restricted stock shares vested as to 25% of the original grant on August 1, 2007 and August 1, 2008, and will continue to vest as the remaining 50% on August 1, 2009.
- <sup>(19)</sup> Restricted stock unit vested as to 50% of the shares on September 16, 2008 and the remaining 50% of the shares will vest on October 16, 2009.
- <sup>(20)</sup> Restricted stock unit vested as to 25% of the original grant on June 18, 2008, 25% will vest on June 18, 2009, 25% on June 18, 2010 and the remaining 25% on June 18, 2011.
- <sup>(21)</sup> Restricted stock units vested as to 25% of the original grant on August 16, 2007 and 25% on August 16, 2008, and to the remaining 50% will vest on August 16, 2009.

**Table of Contents****FISCAL 2009 OPTION EXERCISES AND STOCK VESTED TABLE**

The following table shows all stock options exercised and value realized upon exercise and all restricted stock units vested and value realized upon vesting by the Named Executive Officers during fiscal 2009.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) <sup>(1)</sup>	Value Realized on Vesting (\$) <sup>(2)</sup>
John S. Riccitiello				
Eric F. Brown				
John F. Pleasants			18,750	324,563
Peter Moore				
Frank D. Gibeau			22,499	922,657
Warren C. Jenson			11,250	491,450

<sup>(1)</sup> Represents restricted stock units that vested during fiscal 2009. Shares of EA common stock, net of shares withheld for tax purposes, are issued upon vesting of restricted stock units.

<sup>(2)</sup> The value realized upon vesting of restricted stock units is calculated by multiplying the number of restricted stock units vested by the closing price of EA common stock on the vest date.

**POTENTIAL PAYMENTS UPON CHANGE OF CONTROL**

The following table sets forth potential payments under the CoC Plan to the Named Executive Officers upon termination without cause or resignation for good reason occurring during the two-month period before or the twelve-month period after a change in control of the company. Under the CoC Plan, an eligible employee is not entitled to any payments or benefits in the event he or she voluntarily resigns or is terminated for cause. For purposes of the table below, we have assumed a termination date of March 27, 2009, the last NASDAQ trading day of fiscal 2009 the closing price of EA's common stock on that day was \$18.69. For further information on the CoC Plan, see Post-Employment Arrangements in the Compensation Discussion and Analysis above.

	Cash Severance Award (\$) <sup>(1)</sup>	Stock Options (\$) <sup>(2)</sup>	Restricted Stock	Restricted Stock	Other (\$) <sup>(5)</sup>	Total (\$)
			Units (time-based) (\$) <sup>(3)</sup>	Units (performance-based) (\$) <sup>(4)</sup>		
John S. Riccitiello	2,400,000			3,738,000	96,141	6,234,141
Eric F. Brown	1,575,000	263,000	1,556,877	1,869,000	53,330	5,317,207
John F. Pleasants	1,575,000	263,000	1,051,313	2,336,250	60,608	5,286,171
Peter Moore	1,483,125	328,750	1,168,125	2,336,250	63,292	5,379,542
Frank D. Gibeau	1,430,625	526,000	817,725	2,336,250	80,954	5,191,554
Warren C. Jenson						

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- <sup>(1)</sup> Represents the sum of each Named Executive Officer's base salary and target bonus incentive opportunity (as of March 27, 2009) multiplied by 1.5.
- <sup>(2)</sup> Represents the value of unvested outstanding options that would accelerate and vest on a qualifying termination or after a change of control occurring as of March 27, 2009. In the case of stock options, the value is calculated by multiplying the number of shares underlying each accelerated unvested option by the difference between the per-share closing price of our common stock on March 27, 2009 and the per-share exercise price. All of the unvested options for the Named Executive Officers had exercise prices that were above the closing price of the common stock on March 27, 2009 with the exception of the options granted to them on December 16, 2008, which have an exercise price of \$16.06 per-share.
- <sup>(3)</sup> Represents the value of unvested restricted stock or restricted stock units that would accelerate and vest on a qualifying termination or after a change of control occurring on March 27, 2009. The value was calculated by

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multiplying the number of restricted stock units and shares of restricted stock that would accelerate by the per-share closing price of our common stock on March 27, 2009. Mr. Riccitiello had no time-based restricted stock or restricted stock units as of March 27, 2009.

(4) For purposes of the table, we assumed that all performance-based restricted stock units held by the Named Executive Officers would accelerate and vest on a qualifying termination or change of control occurring as of March 27, 2009. The value was calculated by multiplying the number of restricted stock units and shares of restricted stock that would accelerate by the per-share closing price of our common stock on March 27, 2009. Upon a change of control, these grants shall be converted to time-based grants vesting on June 30, 2013, provided these grants may vest earlier upon certain circumstances in connection with a qualifying termination or change of control.

(5) Includes eighteen months of post-termination health benefits and any accrued paid time off/vacation pay.

**EQUITY COMPENSATION PLAN INFORMATION**

We have four equity incentive plans (excluding plans assumed or adopted by EA in connection with acquisitions, as described in the footnotes below) that have been approved by our stockholders and under which our common stock is or has been authorized for issuance to employees or directors: the 1991 Stock Option Plan, the 1998 Directors Stock Option Plan, the 2000 Equity Incentive Plan, and the 2000 Employee Stock Purchase Plan.

We have also granted restricted stock units and notes payable solely in shares of our common stock to certain employees in connection with our acquisition of VG Holding Corp. ( VGH ) without stockholder approval in accordance with applicable NASDAQ listing standards.

The following table and related footnotes gives aggregate information regarding grants under all of our equity incentive plans as of the end of fiscal 2009 including the 2000 Equity Incentive and 2000 Employee Stock Purchase Plans.

Plan Category <sup>(1)</sup>	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders	40,374,971 <sup>(2)(3)</sup>	\$ 42.23 <sup>(4)</sup>	14,987,947 <sup>(5)</sup>
Equity compensation plans not approved by security holders	2,433,199 <sup>(6)</sup>		
<b>Total</b>	<b>42,808,170</b>		<b>14,987,947</b>

(1) The table does not include information for equity incentive plans we assumed in connection with our acquisitions of Maxis in 1997, Criterion Software in 2004, JAMDAT Mobile Inc. in 2006 and VGH in 2008. As of March 28, 2009 a total of: (a) 225,169 shares of common stock were issuable upon exercise of outstanding options issued under the 1995 Maxis stock option plan with a weighted-average exercise price of \$27.90, (b) a total of 3,383 shares were issuable upon exercise of outstanding options issued under the Criterion stock option plan with a weighted-average exercise price of \$1.61; (c) a total of 5,970 shares were issuable upon exercise of outstanding options issued under the JAMDAT Amended and Restated 2000 Stock Incentive Plan with a weighted-average exercise price of \$2.00; (d) a total of 539,135 shares were issuable upon exercise of outstanding options with a weighted-average exercise price of \$48.21, and 488 unvested restricted stock units were outstanding under the JAMDAT 2004 Equity Incentive Plan; and (e) a total of 1,026,314 shares were issuable upon exercise of outstanding options with a weighted-average exercise price of \$36.38, and 200,294 unvested restricted stock units were outstanding under the VG Holding Corp. 2005 Stock Incentive Plan, as amended. No shares remain available for issuance under the Maxis, Criterion, JAMDAT or VGH plans.





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- (2) Includes (a) 1,226,661 shares of common stock issuable upon exercise of outstanding options under our 1991 Stock Option Plan, with a weighted-average exercise price of \$21.47; (b) 241,810 shares of common stock issuable upon exercise of outstanding options under the 1998 Directors' Stock Option Plan with a weighted-average exercise price of \$32.80; (c) 31,091,355 shares of common stock issuable upon exercise of outstanding options under the 2000 Equity Incentive Plan, with a weighted-average exercise price of \$43.12; and (d) 7,815,145 unvested restricted stock units outstanding under the 2000 Equity Incentive Plan. The 1991 Stock Option Plan and the 1998 Directors' Stock Option Plan have expired and no further grants may be made under these Plans.
- (3) Does not include 117,191 unvested shares of restricted stock outstanding as of March 31, 2009 issued pursuant to the 2000 Equity Incentive Plan.
- (4) Restricted stock unit awards and notes payable solely in shares of common stock do not have an exercise price and therefore are not included in the calculation of the weighted-average exercise price.
- (5) Includes (a) 11,085,110 shares available for issuance under the 2000 Equity Incentive Plan and (b) 3,902,837 shares available for purchase by our employees under the 2000 Employee Stock Purchase Plan.
- (6) Represents restricted stock units and notes payable solely in shares of common stock granted in connection with our acquisition of VGH. As of March 28, 2009, a total of: (a)(i) 519,356 time-based restricted stock units and (ii) 623,472 performance-based restricted stock units were outstanding under the 2007 Electronic Arts VGH Acquisition Inducement Award Plan (the "VGH Inducement Plan"); and (b) 1,290,371 shares of common stock were reserved for issuance pursuant to service-based non-interest bearing notes payable solely in shares of our common stock, which were granted to certain former employees of VGH who became employees of EA following the acquisition (the "Notes"). The restricted stock units granted pursuant to the VGH Inducement Plan and the Notes were granted in connection with our acquisition of VGH without stockholder approval in accordance with applicable NASDAQ listing standards. No further grants will be made under the VGH Inducement Plan and no further Notes will be awarded to the former employees of VGH.

See also Note 13 to the Consolidated Financial Statements included in EA's Annual Report on Form 10-K for the period ended March 31, 2009 for additional information about these equity awards and related plans.

**OTHER INFORMATION**

**RELATED PERSON TRANSACTIONS POLICY**

Our Board of Directors has adopted a written Related Person Transactions Policy. The purpose of the policy is to describe the procedures used to identify, review, approve or ratify and, if necessary, disclose (i) any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which EA (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect interest, or (ii) any transaction for which EA's Global Code of Conduct would require approval of the Board of Directors. For purposes of the policy, a related person is (a) any person who is, or at any time since the beginning of EA's last fiscal year was, a director or executive officer of EA or a nominee to become a director of EA, (b) any person who is known to be the beneficial owner of more than 5% of any class of EA's voting securities, (c) any immediate family member or person sharing the household (other than a tenant or employee) of any of the foregoing persons, and (d) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

Once a potential related person transaction has been identified, the Audit Committee (if the transaction involves an executive officer of EA) or the Nominating and Governance Committee (if the transaction involves a director of EA) will review the transaction at the next scheduled meeting of such committee. In those instances in which it is not practicable or desirable to wait until the next scheduled committee meeting, the chairperson of the applicable committee shall consider the matter and report back to the relevant committee at the next scheduled meeting.

In determining whether to approve or ratify a related person transaction, the Audit Committee or Nominating and Governance Committee (or the relevant chairperson of such committee) shall consider all of the relevant facts and circumstances available. No member of the Audit Committee

or Nominating and Governance Committee

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shall participate in any review, consideration or approval of any related person transaction with respect to which such member or any of his or her immediate family members is the related person. The Audit Committee and Nominating and Governance Committee (or the relevant chairperson) shall approve only those related person transactions that are in, or are not inconsistent with, the best interests of EA and its stockholders, as determined in good faith.

### **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

We enter into indemnification agreements with each of the members of our Board of Directors at the time they join the Board to indemnify them to the extent permitted by law against any and all liabilities, costs, expenses, amounts paid in settlement and damages incurred by the directors as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors are sued or charged as a result of their service as members of our Board of Directors.

Prior to becoming Chief Executive Officer of Electronic Arts, John S. Riccitiello was a Founder and Managing Director of Elevation Partners, L.P., and also served as Chief Executive Officer of VG Holding Corp. ( VGH ), which we acquired in January 2008. At the time of the acquisition, Mr. Riccitiello held an indirect financial interest in VGH resulting from his interest in the entity that controlled Elevation Partners, L.P. and his interest in a limited partner of Elevation Partners, L.P., a significant stockholder of VGH. As a result of the acquisition, Mr. Riccitiello's financial returns related to these interests, including returns of deemed capital contributions, were \$2.4 million through May 2008 (some of which Mr. Riccitiello could be required to return depending on the performance of the Elevation entities). Mr. Riccitiello has not received any additional payments related to the VGH acquisition to date. However, he could receive up to an additional \$1.6 million plus any interest or other amounts earned thereon. This amount could be reduced, however, by a variety of factors, including investment losses of Elevation, if any, as well as certain expenses of Elevation that could offset partnership profits. Upon his separation from Elevation Partners, L.P., Mr. Riccitiello ceased to have any further control or influence over these factors.

From the commencement of negotiations with VGH, at the direction of EA's Board of Directors, EA's Audit Committee engaged directly with EA management (independently from Mr. Riccitiello) to analyze and consider the potential benefits, risks and material terms of the acquisition. EA's Board of Directors approved the acquisition after reviewing with EA's management and members of the Audit Committee the terms of the acquisition and the potential benefits and risks thereof, as well as Mr. Riccitiello's personal financial interest in VGH and the acquisition. Mr. Riccitiello recused himself from the Board of Directors meeting during the Board's deliberation of the acquisition and he did not vote on the acquisition.

In addition, we have engaged, and expect to continue to engage, in what we consider to be arm's-length commercial dealings with the following companies, which are affiliated with members of our Board of Directors: Nokia Corporation primarily related to our EA Mobile business, WorldWinner.com, a subsidiary of Liberty Media Corporation related to our Pogo business and Google Inc. Mr. Simonson is the Chief Financial Officer of Nokia; Mr. Maffei is the Chief Executive Officer of Liberty Media; Mr. Huber is the Senior Vice President of Engineering at Google.

To date, these transactions have not been material to us or to the other entities involved. We do not believe that Mr. Simonson, Mr. Maffei or Mr. Huber has a material direct or indirect interest in any of our commercial dealings with Nokia, WorldWinner.com or Google, respectively, and therefore do not consider these dealings to be related person transactions within the meaning of applicable SEC rules. Our Board of Directors considered our dealings with Nokia, WorldWinner.com and Google in reaching its determination that Mr. Simonson, Mr. Maffei and Mr. Huber are each an independent director.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

From April 1, 2008 (the beginning of fiscal 2009) through November 4, 2008, the Compensation Committee consisted of Linda J. Srere, Leonard S. Coleman and Richard A. Simonson; from November 5, 2008 through March 31, 2009 (the end of fiscal 2009), the Compensation Committee consisted of Ms. Srere, Mr. Coleman and Geraldine B. Laybourne. None of these individuals is an employee or current or former officer of EA. No EA officer serves or has served since the beginning of fiscal 2009 as a member of the board of directors or the compensation committee of a company at which a member of EA's Compensation Committee is an employee or officer.

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### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires EA's directors and executive officers, and persons who own more than 10% of a registered class of EA's equity securities, to file reports of ownership and changes in ownership of common stock and other equity securities of EA. We have adopted procedures to assist EA's directors and officers in complying with these requirements, which include assisting officers and directors in preparing forms for filing.

To EA's knowledge, based solely upon review of such reports furnished to us and written representations that no other reports were required, we believe that during the fiscal year ended March 31, 2009, all Section 16(a) filing requirements applicable to our officers, directors and greater-than-ten-percent stockholders were complied with on a timely basis.

### **STOCKHOLDER PROPOSALS FOR 2010 ANNUAL MEETING**

If you would like us to consider a proposal to be included in our 2010 proxy statement and proxy card, you must deliver it to the Company's Corporate Secretary at our principal executive office no later than February 12, 2010.

Stockholders who otherwise wish to present a proposal at the 2010 Annual Meeting of Stockholders must deliver written notice of the proposal to our Corporate Secretary c/o Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065, no earlier than March 31, 2010 and no later than April 30, 2010 (provided, however, that if the 2010 Annual Meeting is held earlier than June 29, 2010 or later than August 28, 2010, proposals must be received no earlier than the close of business on the later of the 90th day prior to the 2010 Annual Meeting or the 10th day following the day on which public announcement of the 2010 Annual Meeting is first made). The submission must include certain information concerning the stockholder and the proposal, as specified in the Company's amended and restated bylaws. Our amended and restated bylaws are included as an exhibit to a Current Report on Form 8-K we filed with the SEC on May 11, 2009, which you may access through the SEC's electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov). You may also request a copy of our amended and restated bylaws by contacting our Corporate Secretary at the address above.

### **HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries (*e.g.*, brokers) to satisfy the delivery requirements for notices of internet availability of proxy materials, proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single notice, proxy statement and/or annual report addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are EA stockholders will be householding our notices and proxy materials. A single notice or set of proxy materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate notice or proxy materials, please notify your broker, direct your written request to our Corporate Secretary at our principal executive office, or contact our Corporate Secretary at (650) 628-1500. Stockholders who currently receive multiple copies of the notice or proxy materials at their address and would like to request householding of their communications should contact their broker.

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**REQUESTS TO THE COMPANY**

The Company will provide without charge, to each person to whom a Notice and/or a proxy statement is delivered, upon request of such person and by first class mail within one business day of receipt of such request, a copy of the 2000 Equity Incentive Plan and 2000 Employee Stock Purchase Plan, each as proposed to be amended. Any such request should be directed as follows: Stock Administration Department, Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065 telephone number (650) 628-1500.

**OTHER BUSINESS**

The Board does not know of any other matter that will be presented for consideration at the Annual Meeting except as specified in the notice of the meeting. If any other matter does properly come before the Annual Meeting, or at any adjournment or postponement of the Annual Meeting, it is intended that the proxies will be voted in respect thereof in accordance with the judgment of the persons voting the proxies.

By Order of the Board of Directors,

Stephen G. Bené

*Senior Vice President, General Counsel and Secretary*

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### **Appendix A**

#### **GENERAL DESCRIPTION OF THE 2000 EQUITY INCENTIVE PLAN**

##### ***History***

The Company's 2000 Equity Incentive Plan (the "Equity Plan") was adopted by our Board of Directors on January 27, 2000 and initially approved by our stockholders on March 22, 2000. The Equity Plan has been amended several times since it was initially adopted. The following general description of the Equity Plan reflects all prior amendments as well as amendments proposed to be adopted by the Company's stockholders at the 2009 Annual Meeting. The following general description is qualified in its entirety by reference to the text of the Equity Plan, as proposed to be amended, as filed by the Company with the SEC on or about June 12, 2009. Unless otherwise indicated, capitalized terms used in this Appendix A shall have the meanings set forth in the text of the Equity Plan.

##### ***Shares Subject to the Equity Plan***

The stock subject to issuance under the Equity Plan consists of shares of the Company's authorized but unissued common stock. The Equity Plan, as amended to date, authorizes the issuance of up to 78,585,000 shares of common stock pursuant to awards of stock options, stock appreciation rights, restricted stock and restricted stock units. As proposed to be amended, the number of shares authorized for issuance under the Equity Plan would be increased to 99,385,000. In addition, shares are again available for grant and issuance under the Equity Plan that (a) were subject to an option granted under the Equity Plan that terminated, to the extent then unexercised, (b) were subject to a restricted stock or restricted stock unit award under the Equity Plan that is subsequently forfeited or repurchased by us at the original issue price, if any, or (c) are subject to an award of restricted stock or restricted stock units under the Equity Plan that otherwise terminates without shares being issued. The following types of shares are not available for future grant or issuance as awards under the Equity Plan: (x) shares that are not issued or delivered as a result of the net settlement of a stock option or stock appreciation right; (y) shares that are used to pay the exercise price or withholding taxes related to an award granted under the Equity Plan; and (z) shares that are repurchased by us with the proceeds of a stock option exercise.

The number of shares issuable under the Equity Plan, and under outstanding options and other awards, is subject to proportional adjustment to reflect stock splits, stock dividends and other similar events.

##### ***Share Usage***

Shares covered by an Award shall be counted as used as of the Grant Date. Any shares that are subject to Awards of Options or stock appreciation rights, granted on or after July 31, 2008, shall be counted against the aggregate number of shares reserved under the Equity Plan as one (1) share for every one (1) share subject to an Award of Options or stock appreciation rights. As proposed to be amended, any shares that are subject to Awards other than Options or stock appreciation rights, granted (a) on or after July 31, 2008 but prior to July 29, 2009, shall be counted against the aggregate number of shares reserved under the Equity Plan as 1.82 shares for every one (1) share granted and (b) on or after July 29, 2009, shall be counted against the aggregate number of shares reserved under the Equity Plan as 1.43 shares for every one (1) share granted.

##### ***Eligibility***

The Equity Plan provides for the issuance of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units. The Equity Plan provides that employees (including officers and directors who are also employees) of EA or any parent or subsidiary of EA may receive incentive stock options under the Equity Plan. Nonqualified stock options, stock appreciation rights, restricted stock, and restricted stock units may be granted to employees and directors of EA or any parent or subsidiary of EA. As of May 15, 2009, approximately 9,000 persons were in the class of persons eligible to participate in the Equity Plan. No person is eligible to receive more than 1,400,000 shares of common stock (of which no more than 400,000 shares may be covered by awards of restricted stock) in any calendar year, other than new employees who will be eligible to receive up to 2,800,000 shares of common stock (of which no more than 800,000 shares may be covered by awards of restricted stock) in the calendar year in which they commence

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employment. No awards of stock appreciation rights have been made to date under the Equity Plan. A participant may hold more than one award granted under the Equity Plan.

### ***Administration***

The Equity Plan is administered by our Compensation Committee. All of the members of the Compensation Committee are non-employee and independent directors under applicable federal securities laws and NASDAQ listing requirements, and outside directors as defined under applicable federal tax laws. The Compensation Committee has the authority to construe and interpret the Equity Plan, grant awards and make all other determinations necessary or advisable for the administration of the Equity Plan. The members of the Compensation Committee receive no compensation for administering the Equity Plan other than their compensation for being Board and Committee members. The Company bears all expenses in connection with administration of the Equity Plan and has agreed to indemnify members of the Compensation Committee in connection with their administration of the Equity Plan. The Compensation Committee may delegate to one or more officers of the Company the authority to grant Awards under the Equity Plan to participants who are not executive officers of the Company.

### ***Stock Options***

Stock options granted under the Equity Plan may be either incentive stock options or nonqualified stock options. The exercise period of stock options is determined by the Compensation Committee but, in no event, may stock options be exercisable more than ten years from the date they are granted. The Equity Plan provides the Compensation Committee with the ability, at its discretion, to grant performance-based options subject to the achievement of one or more of the performance factors described under the heading *Performance Factors* below.

### ***Exercise Price***

The Compensation Committee determines the exercise price of each option granted under the Equity Plan. The option exercise price for each incentive and nonqualified stock option share must be no less than 100% of the fair market value (as defined in the Equity Plan) of a share of common stock at the time the stock option is granted. In the case of an incentive stock option granted to a stockholder that owns more than 10% of the total combined voting power of all classes of stock of EA or any parent or subsidiary of EA (a *Ten Percent Stockholder*), the exercise price for each such incentive stock option must be no less than 110% of the fair market value of a share of common stock at the time the incentive stock option is granted.

The exercise price of options and purchase price of shares granted under the Equity Plan may be paid as approved by the Compensation Committee at the time of grant: (a) in cash (by check); (b) by cancellation of indebtedness of the Company to the award holder; (c) by surrender of shares that either: (1) have been owned by the award holder for more than six (6) months and have been paid for within the meaning of SEC Rule 144; or (2) were obtained by the award holder in the public market; (d) by waiver of compensation due or accrued for services rendered; (e) with respect only to purchases upon exercise of an option, and provided that a public market for the Company's stock exists: (1) subject to applicable laws, by a same-day sale commitment from the optionee and a National Association of Securities Dealers, Inc. (NASD) broker; or (2) by a margin commitment from the optionee and an NASD broker; (f) by withholding from the shares to be issued upon exercise of an award that number of shares having a fair market value equal to the minimum amount required to satisfy the exercise price or purchase price; (g) by any combination of the foregoing; or (h) such other consideration and method of payment for issuance of shares to the extent permitted by applicable laws.

### ***No Repricings or Exchanges of Awards Without Stockholder Approval***

The Compensation Committee may, at any time or from time to time, authorize the Company, with the consent of the affected Equity Plan participants, to issue new awards in exchange for the surrender and cancellation of any or all outstanding awards; provided, however, that no such exchange program may, without the approval of the Company's stockholders, allow for the cancellation of an outstanding option or stock appreciation right in



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exchange for a new option or stock appreciation right having a lower exercise price. The Compensation Committee may also, subject to approval by the Company's stockholders, at any time buy a previously granted award with payment in cash, shares (including restricted stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

***Outside Directors***

Our non-employee directors are entitled to receive automatic annual grants of options to purchase shares of our common stock under the Equity Plan. Each non-employee director who first becomes a member of the Board of Directors is granted an option to purchase 17,500 shares of common stock and 2,500 restricted stock units. Upon re-election to our Board of Directors following each annual meeting of our stockholders, each non-employee director is automatically granted an additional option to purchase 8,400 shares of common stock and 1,200 restricted stock units. If a non-employee director has not served on our Board of Directors for a full year at the time of the annual meeting of our stockholders, such director will receive a pro-rated annual grant.

Options issued to outside directors upon their initial election to the Board are exercisable as to 2% of the shares on the date of grant and as to an additional 2% of the shares on the first day of each calendar month after the date of grant so long as the outside director continues as a member of the Board. The vesting schedule for all restricted stock units and annual stock option grants made to directors upon their re-election to the Board is subject to the discretion of the Compensation Committee.

In the event of our dissolution or liquidation or a change of control transaction, options granted to our non-employee directors under the Equity Plan will become 100% vested and exercisable in full.

In addition, our non-employee directors may elect to receive all or a portion of their cash compensation in shares of common stock. Directors making this election are entitled to receive shares having a value equal to 110% of the amount of the cash compensation foregone.

***Stock Appreciation Rights***

The Compensation Committee, or a committee to which it has delegated the appropriate authority, may grant stock appreciation rights (a SAR or SARs) as stand-alone awards or in addition to, or in tandem with, other awards under the Equity Plan under such terms, conditions and restrictions as the Compensation Committee, or a committee to which it has delegated the appropriate authority, may determine; provided, however, that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. A SAR is an award which provides the holder with the right to receive the appreciation in value of a set number of shares of company stock or cash over a set period of time. A SAR is similar to an option in that the holder benefits from any increases in stock price above the exercise price set forth in the award agreement. However, unlike an option, the holder is not required to pay an exercise price to exercise a SAR, but simply receives the net amount of the increase in stock price in the form of cash or stock. The exercise price for a SAR must be no less than 100% of the fair market value (as defined in the Equity Plan) of a share of common stock at the time the SAR is granted. In addition, the Compensation Committee, or a committee to which it has delegated the appropriate authority, may, at its discretion, subject SARs to the achievement of one or more of the performance factors described under the heading Performance Factors below.

***Restricted Stock Awards***

The Compensation Committee may grant restricted stock awards either in addition to, or in tandem with, other awards under the Equity Plan under such terms, conditions and restrictions as the Compensation Committee may determine. A restricted stock award is an offer by Electronic Arts to award shares of common stock that are subject to restrictions established by the Compensation Committee. These restrictions may be based upon completion by the award holder of a specified number of years of service or by the attainment of one or more of the performance factors described under the heading Performance Factors below. The purchase price, if any, for each such award is determined by the Compensation Committee at the time of grant. In the case of an award to a Ten Percent Stockholder, the purchase price must be 100% of fair market value. The purchase price, if any, may be paid for in any of the forms of consideration listed in items under Exercise Price above, as are approved by the Compensation Committee at the time of grant.

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### ***Restricted Stock Units***

Restricted stock unit awards may be granted under the Equity Plan, either in addition to, or in tandem with, other awards under the Equity Plan under such terms, conditions and restrictions as the Compensation Committee, or a committee to which it has delegated the appropriate authority, may determine. A restricted stock unit award is similar to a restricted stock award (and may be awarded subject to any or all of the performance goals described under the heading *Performance Factors* below) except the stock is not delivered to the participant unless and until all restrictions have terminated.

### ***Performance Factors***

Performance-based stock options, stock appreciation rights, restricted stock and restricted stock unit awards with vesting and/or exercisability conditioned on one or more of the following permissible performance factors may be granted under the Equity Plan, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, to be measured over a specified performance period that may be as short as a quarter or as long as five years (unless tied to a specific and objective milestone or event), to the extent applicable on an absolute basis or relative to a pre-established target: (a) profit before tax; (b) revenue (on an absolute basis or adjusted for currency effects); (c) net revenue; (d) earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings); (e) operating income; (f) operating margin; (g) operating profit; (h) controllable operating profit, or net operating profit; (i) net profit; (j) gross margin; (k) operating expenses or operating expenses as a percentage of revenue; (l) net income; (m) earnings per share; (n) total stockholder return; (o) market share; (p) return on assets or net assets; (q) the Company's stock price; (r) growth in stockholder value relative to a pre-determined index; (s) return on equity; (t) return on invested capital; (u) cash flow (including free cash flow or operating cash flows); (v) cash conversion cycle; (w) economic value added; (x) individual confidential business objectives; (y) contract awards or backlog; (z) overhead or other expense reduction; (aa) credit rating; (bb) strategic plan development and implementation; (cc) succession plan development and implementation; (dd) improvement in workforce diversity; (ee) customer indicators; (ff) new product invention or innovation; (gg) attainment of research and development milestones; (hh) improvements in productivity; (ii) attainment of objective operating goals and employee metrics.

In addition, the Committee may, in its sole discretion and in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the performance factors to preserve the Committee's original intent regarding the performance factors at the time of the initial award grant.

### ***Mergers, Consolidations, Change of Control***

Except for automatic grants to non-employee directors, in the event of a merger, consolidation, dissolution or liquidation of EA, the sale of substantially all of its assets or any other similar corporate transaction, the successor corporation may assume, replace or substitute equivalent awards in exchange for those granted under the Equity Plan or provide substantially similar consideration, shares or other property as was provided to our stockholders (after taking into account the provisions of the awards). In the event that the successor corporation does not assume, replace or substitute awards, such awards will accelerate and all options will become exercisable in full prior to the consummation of the transaction at the time and upon the conditions as the Compensation Committee determines. Any awards not exercised prior to the consummation of the transaction will terminate.

### ***Transferability***

Incentive stock options granted under the Equity Plan are not transferable other than by means of a distribution upon the optionee's death. Nonqualified stock options, stock appreciation rights, restricted stock, and restricted stock unit awards are subject to similar restrictions on transfer unless otherwise determined by the Compensation Committee and except that nonqualified stock options may be transferred to family members and trusts or foundations controlled by, or primarily benefiting, family members of the optionee.

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***Term of the Equity Plan***

The Equity Plan expires in 2020 unless terminated earlier by the Board.

***United States Federal Income Tax Information***

THE FOLLOWING IS A GENERAL SUMMARY AS OF THE DATE OF THIS PROXY STATEMENT OF THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THE COMPANY AND PARTICIPANTS UNDER THE EQUITY PLAN. THE FEDERAL TAX LAWS MAY CHANGE AND THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES FOR ANY PARTICIPANT WILL DEPEND UPON HIS OR HER INDIVIDUAL CIRCUMSTANCES. IN ADDITION, THE INTERNAL REVENUE SERVICE COULD, AT ANY TIME, TAKE A POSITION CONTRARY TO THE INFORMATION DESCRIBED IN THE FOLLOWING SUMMARY. ANY TAX EFFECTS THAT ACCRUE TO NON-U.S. PARTICIPANTS AS A RESULT OF PARTICIPATING IN THE EQUITY PLAN ARE GOVERNED BY THE TAX LAWS OF THE COUNTRIES IN WHICH SUCH PARTICIPANT RESIDES OR IS OTHERWISE SUBJECT. EACH PARTICIPANT WILL BE ENCOURAGED TO SEEK THE ADVICE OF A QUALIFIED TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PARTICIPATION IN THE EQUITY PLAN.

***Incentive Stock Options***

A participant will recognize no income upon grant or vesting of an incentive stock option and will generally not incur tax on its exercise. Unless the participant is subject to the alternative minimum tax ( AMT ), the participant will recognize income only when the shares acquired upon the exercise of an incentive stock option (the ISO Shares ) are sold or otherwise disposed of. If the participant holds ISO Shares for more than one year after the date the option was exercised and for more than two years after the date the option was granted, the participant will realize a long-term capital gain or loss (rather than ordinary income) upon disposition of the ISO Shares. This long-term capital gain or loss will be equal to the difference between the amount realized upon such disposition and the amount paid for the ISO Shares.

If the participant disposes of ISO Shares prior to the expiration of either the one-year or two-year required holding period (a disqualifying disposition ), the gain realized upon such disposition, up to the difference between the fair market value of the ISO Shares on the date of exercise (or, if less, the amount realized on a sale of such shares) and the option exercise price, will be treated as ordinary income. Any additional gain will be capital gain, taxed at a rate that depends upon the amount of time the ISO Shares were held by the participant.

***Alternative Minimum Tax***

The Alternative Minimum Tax ( AMT ) is a separately computed tax which was devised to ensure that at least a minimum amount of income tax is paid. AMT is imposed only if and to the extent that a participant would pay more tax if his or her income tax were calculated pursuant to the AMT rules than if calculated in the regular manner. The difference between the option exercise price and the fair market value of the ISO Shares on the date of exercise is includable as income for purposes of calculating the AMT for both (i) a vested ISO and (ii) an unvested ISO for which the participant makes a timely election under Section 83(b) of the U.S. Internal Revenue Code (an 83(b) election ).

Alternative minimum taxable income is determined by adjusting regular taxable income for certain items, increasing that income by certain tax preference items (including the difference between the fair market value of the ISO Shares on the date of exercise and the exercise price) and reducing this amount by the applicable exemption amount. The exemption amount for 2009 is \$70,950 in the case of a joint return, subject to reduction under certain circumstances. The AMT (imposed to the extent it exceeds the taxpayer's regular income tax) is 26% of an individual taxpayer's alternative minimum taxable income (28% in the case of alternative minimum taxable income in excess of \$175,000 in the case of married individuals filing a joint return). If a disqualifying disposition of the ISO Shares occurs in the same calendar year as the exercise of an incentive stock option, those ISO Shares are not included in the AMT calculation.

If a participant has to pay AMT, he or she is entitled to a credit against income tax (but not AMT) in later years subject to many restrictions. Also, upon a sale of ISO Shares that is not a disqualifying disposition, alternative

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minimum taxable income is reduced in the year of sale by the amount that was previously included in alternative minimum taxable income in the year of exercise, the excess of the fair market value of the ISO Shares at exercise of the amount paid for the ISO Shares.

### ***Nonqualified Stock Options***

A participant will generally not recognize any taxable income at the time a nonqualified stock option ( NQSO ) is granted or vests provided the exercise price is no less than the fair market value of the underlying shares on the grant date. Upon exercise of a vested NQSO, the participant will include in income as compensation an amount equal to the difference between the fair market value of the shares on the date of exercise and the participant s exercise price. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the award or withholding out of the participant s salary). Upon resale of the shares by the participant, any subsequent appreciation or depreciation in the value of the shares will be treated as a capital gain or loss, taxable at a rate that depends upon the length of time the shares were held by the participant.

### ***Restricted Stock Awards***

A participant who receives a restricted stock award will include the amount of the award in income as compensation at the time that any forfeiture restrictions on the shares of stock lapse, unless the participant makes a timely 83(b) election. If the participant does not timely make an 83(b) election, the participant will include in income the fair market value of the shares of stock on the date that the restrictions lapse as to those shares, less any purchase price paid for such shares. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the participant s award or withholding out of the participant s salary).

If the participant makes a timely 83(b) election, the participant will, at the time the award is received, include the fair market value of the shares of stock on the date of receipt of the award (determined without regard to lapse restrictions), less any purchase price paid for such shares in income as compensation. The income will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the participant s salary or withholding out of the participant s award). If the award is subsequently forfeited, the participant will not receive any deduction for the amount previously taxed as ordinary income.

### ***Restricted Stock Units***

A participant will recognize income as compensation with respect to an award of restricted stock units at the time that the restrictions lapse, provided the shares are issued on the date the restrictions lapse. The participant will include in income the fair market value of the shares of stock on the date that the restrictions lapse as to those shares, less any purchase price paid for such shares. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the participant s award or withholding out of the participant s salary).

### ***Stock Appreciation Rights***

Assuming that a stock appreciation right ( SAR ) is granted at an exercise price that is not less than the fair market value of the underlying shares on the grant date, a participant will not recognize any taxable income at the time a SAR is granted or when the SAR vests. However, upon exercise of a vested SAR, an amount equal to the difference between the fair market value of the shares on the date of exercise and the participant s exercise price will be included in income as compensation to the participant. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the award or withholding out of the participant s salary). Upon resale of the shares issued to the participant at the time of exercise, any subsequent appreciation or depreciation in the value of the shares will be treated as capital gain or loss, taxable at a rate that depends upon the length of time the shares were held by the participant.

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***Internal Revenue Code Section 409A***

At the present time, the Company intends to grant equity awards to participants which are either outside the scope of Section 409A of the U.S. Internal Revenue Code or are exempted from the application of Section 409A. If an equity award is subject to Section 409A and the requirements of Section 409A are not met, participants may suffer adverse tax consequences with respect to the equity award. Such consequences may include taxation at the time of the vesting of the award, an additional 20% tax penalty on the non-compliant deferred income and interest and penalties on any deferred income.

***Tax Treatment of the Company***

To the extent that the participant recognizes ordinary income and the Company properly reports such income to the Internal Revenue Service (the IRS), the Company generally will be entitled to a deduction in connection with the exercise of a NQSO or a SAR by a participant or upon the lapse of restrictions with respect to a participant's restricted stock or restricted stock unit award. The Company will be entitled to a deduction in connection with the disposition of ISO Shares only to the extent that the participant recognizes ordinary income on a disqualifying disposition of the ISO Shares and provided that the Company properly reports such income to the IRS.

***ERISA***

The Equity Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974 and is not qualified under Section 401(a) of the Code.

***Proposed Amendments to the Equity Plan***

At the 2009 Annual Meeting, stockholders will be asked to approve amendments to the Equity Plan as follows:

Increase the number of shares authorized under the Equity Plan by 20,800,000 shares; and

Replace the 1.82 multiple that is currently used to reduce the number of shares remaining available for issuance under the Equity Plan upon issuance of restricted stock and restricted stock unit awards with 1.43, so that each share of restricted stock or restricted stock unit awards granted after July 29, 2009 will reduce the number of shares remaining available for issuance by 1.43 shares.

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**Appendix B**

**GENERAL DESCRIPTION OF THE 2000 EMPLOYEE STOCK PURCHASE PLAN**

**2000 Employee Stock Purchase Plan, as Amended**

The following general description of the Purchase Plan is qualified in its entirety by reference to the text of the Purchase Plan, as proposed to be amended, as filed by the Company with the SEC on or about June 12, 2009. Unless otherwise indicated, capitalized terms used in this Appendix B shall have the meanings set forth in the text of the Purchase Plan.

*History.* The 2000 Purchase Plan was adopted by the Board on May 25, 2000, approved by the Stockholders on July 27, 2000, and has been subsequently amended.

*Purpose.* The purpose of the Purchase Plan is to provide employees of the Company with a convenient means of acquiring common stock of the Company through payroll deductions, to enhance the employees' sense of participation in the affairs of the Company and subsidiaries, and to provide an incentive for continued employment.

*Administration.* The Purchase Plan is administered on behalf of the Board by the Compensation Committee of the Board. The interpretation by the Compensation Committee of any provision of the Purchase Plan is final and binding on all participating employees.

*Eligibility.* All employees of the Company (including directors who are employees), or any parent or subsidiary, are eligible to participate in the Purchase Plan except the following: (i) employees who are not employed by the Company on the 15th day of the month before the beginning of an Offering Period (as defined below); (ii) employees who are customarily employed for less than 20 hours per week; (iii) employees who are customarily employed for less than 5 months in a calendar year; and (iv) employees who, pursuant to Section 424(d) of the Code, own or hold options to purchase or who, as a result of participation in the Purchase Plan, would own stock or hold options to purchase stock representing 5% or more of the total combined voting power or value of all classes of stock of the Company or any parent or subsidiary. As of May 15, 2009, the Company estimates that approximately 9,000 persons were eligible to participate in the Purchase Plan.

*Participation.* Each offering of the Company's common stock under the Purchase Plan is for a period of one year (the Offering Period). Offering Periods commence on the first business day of March and September of each year. The first day of each Offering Period is the Offering Date for such Offering Period. An employee cannot participate simultaneously in more than one Offering Period. Each Offering Period consists of two six-month purchase periods (each a Purchase Period) commencing on the first business day of March and September. The last day of each Purchase Period is a Purchase Date.

Employees may participate in the Purchase Plan during each pay period through payroll deductions. An employee sets the rate of such payroll deductions, which may not be less than 2% nor more than 10% of the employee's base salary, wages, commissions, overtime, shift premiums and bonuses plus draws against commissions, unreduced by the amount by which the employee's salary is reduced pursuant to Sections 125 or 401(k) of the Code. Eligible employees may elect to participate in any Offering Period by enrolling as provided under the terms of the Purchase Plan. Once enrolled, a participating employee will automatically participate in each succeeding Offering Period unless such employee withdraws from the Offering Period. After the rate of payroll deductions for an Offering Period has been set by an employee, that rate continues to be effective for the remainder of the Offering Period (and for all subsequent Offering Periods in which the employee is automatically enrolled) unless otherwise changed by the employee. The employee may increase or lower the rate of payroll deductions for any subsequent Offering Period but may only lower the rate of payroll deductions during the current Purchase Period. Not more than one change may be made effective during any one Purchase Period.

In any given Purchase Period, no employee may purchase more than (a) twice the number of shares that could have been purchased with the payroll deductions if the purchase price were determined by using 85% of the fair market value of a share of the Company's common stock on the Offering Date or (b) the maximum number of shares set by the Board. In addition, no employee may purchase shares at a rate that, when aggregated with all other rights to purchase stock under all other employee stock purchase plans of the Company, or any parent or subsidiary of the Company, exceeds \$25,000 in fair market value (determined on the Offering Date) for each year.



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*Purchase Price.* The purchase price of shares that may be acquired in any Purchase Period under the Purchase Plan is 85% of the lesser of (a) the fair market value of the shares on the Offering Date of the Offering Period in which the participant is enrolled or (b) the fair market value of the shares on the Purchase Date. The fair market value of the common stock on a given date is the closing price of the common stock on the immediately preceding business day as quoted on the NASDAQ Global Select Market.

*Purchase of Stock.* The number of whole shares an employee may purchase in any Purchase Period is determined by dividing the total amount of payroll deductions withheld from the employee during the Purchase Period pursuant to the Purchase Plan by the price per share determined as described above, subject to the limitations described above. The purchase takes place automatically on the last day of the Purchase Period.

*Withdrawal.* An employee may withdraw from any Offering Period at any time at least 15 days prior to the end of an Offering Period. No further payroll deductions for the purchase of shares will be made for the succeeding Offering Period unless the employee enrolls in the new Offering Period in the same manner as for initial participation in the Purchase Plan.

*Termination of Employment.* Termination of an employee's employment for any reason, including retirement or death, immediately cancels the employee's participation in the Purchase Plan. In such event, the payroll deductions credited to the employee's account will be returned to such employee or, in case of death, to the employee's legal representative.

*Adjustment Upon Changes in Capitalization.* The number of shares subject to any purchase, and the number of shares issuable under the Purchase Plan, is subject to adjustment in the event of a recapitalization of the Company's common stock. In the event of a proposed dissolution or liquidation of the Company, the Offering Period will terminate and the Board may, in its sole discretion, give participants the right to purchase shares that would not otherwise be purchasable until the last day of the applicable Purchase Period.

*Tax Treatment of U.S.-based Participants.* Participating employees in the U.S. will not recognize income for federal income tax purposes either upon enrollment in the Purchase Plan or upon the purchase of shares. All federal income tax consequences are deferred until a participating U.S. employee sells the shares, disposes of the shares by gift, or dies.

If shares are held for more than one year after the date of purchase and more than two years from the beginning of the applicable Offering Period, or if the employee dies while owning the shares, the employee realizes ordinary income on a sale (or a disposition by way of gift or upon death) to the extent of the lesser of: (i) 15% of the fair market value of the shares at the beginning of the Offering Period; or (ii) the actual gain (the amount by which the market value of the shares on the date of sale, gift or death, exceeds the purchase price). All additional gain upon the sale of shares is treated as long-term capital gain. If the shares are sold and the sale price is less than the purchase price, there is no ordinary income, and the employee has a long-term capital loss for the difference between the sale price and the purchase price.

If the shares are sold or are otherwise disposed of, including by way of gift (but not death, bequest or inheritance), prior to the expiration of either the one-year or the two-year holding periods described above (in any case a disqualifying disposition), the employee will realize ordinary income at the time of sale or other disposition taxable to the extent that the fair market value of the shares at the date of purchase was greater than the purchase price. This excess will constitute ordinary income in the year of the sale or other disposition even if no gain is realized on the sale or if a gratuitous transfer is made. The difference, if any, between the proceeds of sale and the fair market value of the shares at the date of purchase is a capital gain or loss. Capital gains may be offset by capital losses, and up to \$3,000 of capital losses in excess of capital gains may be offset annually against ordinary income. Ordinary income recognized by an employee upon a disqualifying disposition constitutes taxable compensation that will be reported on a W-2 form. The Company takes the position that any ordinary income recognized upon a sale or other disposition is not subject to withholding.

*Tax Treatment of Non-U.S.-based Participants.* For participants residing outside the U.S., the Company will assess its requirements regarding tax, social insurance and other applicable taxes in connection with participation in the Purchase Plan. These requirements may change from time to time as laws or interpretations change.



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*Tax Treatment of the Company.* The Company is entitled to a deduction in connection with the disposition of shares acquired under the Purchase Plan only to the extent that the employee recognized ordinary income on a disqualifying disposition of the shares. The Company treats any transfer of record ownership of shares, including transfer to a broker or nominee or into street name, as a disposition, unless it is notified to the contrary. In order to enable the Company to learn of disqualifying dispositions and ascertain the amount of the deductions to which it is entitled, employees are required to notify the Company in writing of the date and terms of any disposition of shares purchased under the Purchase Plan.

***Proposed Amendment of the 2000 Employee Stock Purchase Plan***

At the 2009 Annual Meeting, stockholders will be asked to increase by 3,000,000 the number of shares of the Company's common stock reserved for issuance under the Purchase Plan.

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**Appendix C**

*(included only with the electronic filing of Schedule 14A with the SEC;*

*Appendix C is not a part of the proxy statement)*

**ELECTRONIC ARTS INC.**

**2000 EQUITY INCENTIVE PLAN**

**As Proposed to be Amended by the Stockholders on July 29, 2009**

**1. PURPOSE.** The purpose of this Plan is to provide incentives to attract retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent and Subsidiaries by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock, Restricted Stock Units, and Stock Appreciation Rights. Capitalized terms not defined in the text are defined in Section 24.

**2. SHARES SUBJECT TO THE PLAN.**

2.1 Number of Shares Available for Awards. Subject to Sections 2.2, 2.3 and 19, the aggregate number of Shares that have been reserved pursuant to this Plan is 99,385,000 Shares. Shares that are: (a) subject to issuance upon exercise of an Award but cease to be subject to such Award for any reason other than exercise of such Award; (b) subject to an Award granted hereunder but are forfeited; or (c) subject to an Award that otherwise terminates or is settled without Shares being issued shall revert to and again become available for issuance under the Plan in the same amount as such Shares were counted against the number of Shares reserved pursuant to Section 2.2. The following Shares shall not again become available for issuance under the Plan: (x) Shares that are not issued or delivered as a result of the net settlement of an Option or Stock Appreciation Right; (y) Shares that are used to pay the exercise price or withholding taxes related to an Award; or (z) Shares that are repurchased by the Company with the proceeds of an Option exercise. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options and Stock Appreciation Rights granted under this Plan and all other outstanding but unvested Awards granted under this Plan.

2.2 Share Usage. Shares covered by an award shall be counted as used as of the Grant Date. Any Shares that are subject to Awards of Options or SARs, granted on or after July 31, 2008, shall be counted against the aggregate number of Shares reserved as set forth in Section 2.1 as one (1) Share for every one (1) Share subject to an Award of Options or SARs. Any Shares that are subject to Awards other than Options or SARs, granted (a) on or after July 31, 2008 but prior to July 29, 2009, shall be counted against the number of Shares available for grant (as set forth in Section 2.1) as 1.82 Shares for every one (1) Share granted and (b) on or after July 29, 2009, shall be counted against the number of Shares available for grant (as set forth in Section 2.1) as 1.43 Shares for every one (1) Share granted.

2.3 Adjustment of Shares. In the event that the number of outstanding shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number of Shares reserved for issuance under this Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Awards, and (c) the number of Shares associated with other outstanding Awards, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; *provided, however*, that fractions of a Share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee.

**3. ELIGIBILITY.** ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards may be granted to employees and directors of the Company or any Parent or Subsidiary of the Company. No person will be eligible to receive Awards covering more than 1,400,000 Shares in any calendar year under this Plan, of which no more than 400,000 Shares shall be covered by Awards of

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Restricted Stock or Restricted Stock Units, other than new employees of the Company or of a Parent or Subsidiary of the Company (including new employees who are also officers and directors of the Company or any Parent or Subsidiary of the Company), who are eligible to receive Awards covering up to a maximum of 2,800,000 Shares in the calendar year in which they commence their employment, of which no more than 800,000 Shares shall be covered by Awards of Restricted Stock or Restricted Stock Units. For purposes of these limits, each Restricted Stock Unit settled in Shares (but not those settled in cash), shall be deemed to cover one Share. A person may be granted more than one Award under this Plan.

### **4. ADMINISTRATION.**

4.1 **Committee Authority.** This Plan will be administered by the Committee or by the Board acting as the Committee. Except for automatic grants to Outside Directors pursuant to Section 10 hereof, and subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan. Except for automatic grants to Outside Directors pursuant to Section 10 hereof, the Committee will have the authority to:

- (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;
- (c) select persons to receive Awards;
- (d) determine the form and terms of Awards;
- (e) determine the number of Shares or other consideration subject to Awards;
- (f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;
- (g) grant waivers of Plan or Award conditions;
- (h) determine the vesting, exercisability and payment of Awards;
- (i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;
- (j) determine whether an Award has been earned; and
- (k) make all other determinations necessary or advisable for the administration of this Plan.

4.2 **Committee Discretion.** Except for automatic grants to Outside Directors pursuant to Section 10 hereof, any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any

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express term of this Plan or Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one or more officers of the Company the authority to (i) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan, and (ii) grant an Award under this Plan to Participants who are not Insiders of the Company.

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4.3 **Section 162(m)**. To the extent that Awards are granted hereunder as performance-based compensation within the meaning of Section 162(m) of the Code, the Plan shall be administered by a committee, which may be the Committee, of two or more outside directors within the meaning of Section 162(m) of the Code. For purposes of qualifying grants of Awards as performance-based compensation under Section 162(m) of the Code, the committee, in its discretion, may set restrictions based upon the achievement of performance goals. The performance goals shall be set by the committee on or before the latest date permissible to enable the Awards to qualify as performance-based compensation under Section 162(m) of the Code. In granting Awards that are intended to qualify under Section 162(m) of the Code, the committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Awards under Section 162(m) of the Code (e.g., in determining the performance goals).

**5. OPTIONS.** The Committee may grant Options to eligible persons and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ( *ISO* ) or Nonqualified Stock Options ( *NQSOs* ), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 **Form of Option Grant**. Each Option granted under this Plan will be evidenced by an Award Agreement which will expressly identify the Option as an ISO or an NQSO ( *Stock Option Agreement* ), and, except as otherwise required by the terms of Section 10 hereof, will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 **Date of Grant**. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 **Exercise Period; Performance Goals**.

(a) Options may be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; *provided, however*, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and *provided, further*, that no ISO granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company ( *Ten Percent Stockholder* ) will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

(b) Participant's ability to exercise Options shall be subject to such restrictions, if any, as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or a Subsidiary or upon completion of the performance goals as set out in advance in the Participant's individual Stock Option Agreement. Options may vary from Participant to Participant and between groups of Participants. Should the Committee elect to impose restrictions on an Option, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Option; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares subject to such Option. Prior to such Option becoming exercisable, the Committee shall determine the extent to which such Performance Factors have been met. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different Performance Periods and have different performance goals and other criteria.

5.4 **Exercise Price**. The Exercise Price of an Option will be determined by the Committee when the Option is granted and may be not less than 100% of the Fair Market Value of the Shares on the date of grant; provided that the Exercise Price of any ISO

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granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 9 of this Plan.

5.5 Method of Exercise. Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the *Exercise Agreement*) in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 Termination. Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option will always be subject to the following:

- (a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event, no later than the expiration date of the Options.
- (b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than for Cause or because of Participant's Disability), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any such exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death or Disability, or (b) twelve (12) months after the Termination Date when the Termination is for Participant's death or Disability, deemed to be an NQSO), but in any event no later than the expiration date of the Options.
- (c) Notwithstanding the provisions in paragraph 5.6(a) above, if a Participant is terminated for Cause, neither the Participant, the Participant's estate nor such other person who may then hold the Option shall be entitled to exercise any Option with respect to any Shares whatsoever, after termination of service, whether or not after termination of service the Participant may receive payment from the Company or Subsidiary for vacation pay, for services rendered prior to termination, for services rendered for the day on which termination occurs, for salary in lieu of notice, or for any other benefits. In the event that the Committee has delegated to one or more officers of the Company the authority set forth in Section 4.2 above and Participant has been notified that such officer or officers has made a determination that Participant has been terminated for Cause, Participant shall have five (5) business days (measured from the date he or she was first notified of such determination) to

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appeal such determination to the Committee. If Participant appeals to the Committee in a timely manner, the Committee shall give the Participant an opportunity to present to the Committee evidence on his or her behalf. If the Committee has not delegated to one or more officers of the Company the authority set forth in Section 4.2, and the Committee makes such Cause determination itself, such decision shall be deemed final and unappealable. For the purpose of this paragraph, termination of service shall be deemed to occur on the date when the Company or Subsidiary dispatches notice or advice to the Participant that his service is terminated.

5.7 **Limitations on Exercise.** The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 **Limitations on ISO.** The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISO are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company, Parent or Subsidiary of the Company) will not exceed \$100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISO are exercisable for the first time by a Participant during any calendar year exceeds \$100,000, then the Options for the first \$100,000 worth of Shares to become exercisable in such calendar year will be ISO and the Options for the amount in excess of \$100,000 that become exercisable in that calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date of this Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISO, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 **Modification, Extension or Renewal.** The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options, provided however, that (i) any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted, (ii) any such action shall not extend the exercise period of the Option to a date later than the later of (a) the fifteenth day of the third month following the date on which the Option otherwise would have expired or (b) December 31 of the calendar year in which the Option would have otherwise expired, and (iii) the Committee may not reduce the Exercise Price of outstanding Options without the approval of the stockholders. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code.

5.10 **No Disqualification.** Notwithstanding any other provision in this Plan, no term of this Plan relating to ISO will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

**6. RESTRICTED STOCK.** A Restricted Stock Award is an offer by the Company to grant or to sell to an eligible person Shares that are subject to restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the price to be paid (the ***Purchase Price***), if any, the restrictions to which the Shares will be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.1 **Form of Restricted Stock Award.** All grants or purchases under a Restricted Stock Award made pursuant to this Plan will be evidenced by an Award Agreement (***Restricted Stock Purchase Agreement***) that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. The offer of Restricted Stock will be accepted by the Participant's execution and delivery of the Restricted Stock Purchase Agreement and full payment, if any, for the Shares to the Company within thirty (30) days, or such other date as may

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be set forth in the Restricted Stock Purchase Agreement, from the date the Restricted Stock Purchase Agreement is delivered to the person. If such person does not execute and deliver the Restricted Stock Purchase Agreement along with full payment, if any, for the Shares to the Company within thirty (30) days, or such other date as may be set forth in the Restricted Stock Purchase Agreement, then the offer will terminate, unless otherwise determined by the Committee.

6.2 **Purchase Price.** The Purchase Price of Shares sold pursuant to a Restricted Stock Award, if any, will be determined by the Committee on the date the Restricted Stock Award is granted. At the Committee's discretion, consideration for the Restricted Stock Award may be in the form of continued service to the Company or a Subsidiary. Payment of the Purchase Price may be made in accordance with Section 9 of this Plan.

6.3 **Terms of Restricted Stock Awards.** Restricted Stock Awards shall be subject to such restrictions as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or a Subsidiary or upon completion of the performance goals as set out in advance in the Participant's individual Restricted Stock Purchase Agreement. Restricted Stock Awards may vary from Participant to Participant and between groups of Participants. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment of any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.4 **Termination During Performance Period.** If a Participant is Terminated during a Performance Period for any reason, then such Participant will be entitled to payment (whether in Shares, cash or otherwise) with respect to the Restricted Stock Award only to the extent earned as of the date of Termination in accordance with the Restricted Stock Purchase Agreement, unless the Committee determines otherwise in the case of a Participant who is not a covered employee for purposes of Section 162(m) of the Code in the year of Termination.

7. **RESTRICTED STOCK UNITS.** Each Restricted Stock Unit shall have a value equal to the Fair Market Value of a share of the Company's Common Stock. A Restricted Stock Unit does not constitute a share of, nor represent any ownership interest in, the Company. The Committee will determine the number of Restricted Stock Units granted to any eligible person; whether the Restricted Stock Units will be settled in Shares, in cash, or in a combination of the two; the price to be paid (the ***Purchase Price***), if any, for any Shares issued pursuant to a Restricted Stock Unit; the restrictions to which the Restricted Stock Units will be subject, and all other terms and conditions of the Restricted Stock Units, subject to the following:

7.1 **Form of Restricted Stock Unit Award.** All Restricted Stock Units granted pursuant to this Plan will be evidenced by an Award Agreement (***Restricted Stock Unit Agreement***) that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. The offer of Restricted Stock Units will be accepted by the Participant's execution and delivery of the Restricted Stock Unit Agreement within thirty (30) days, or such other date as may be set forth in the Restricted Stock Unit Agreement, from the date the Restricted Stock Unit Agreement is delivered to the person. If such person does not execute and deliver the Restricted Stock Unit Agreement within thirty (30) days, or such other date as may be set forth in the Restricted Stock Unit Agreement, then the offer will terminate, unless otherwise determined by the Committee.

7.2 **Purchase Price.** The Purchase Price of Shares sold pursuant to a Restricted Stock Unit, if any, will be determined by the Committee on the date the Restricted Stock Unit is granted. At the Committee's discretion, consideration for the Restricted Stock Unit may be in the form of continued service to the Company or a Subsidiary. Payment of the Purchase Price, if any, shall be made in accordance with Section 9 of this Plan when the Shares are issued.



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7.3 **Terms of Restricted Stock Units.** Restricted Stock Units shall be subject to such restrictions as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or a Subsidiary or upon completion of the performance goals as set out in advance in the Participant's individual Restricted Stock Unit Agreement. Restricted Stock Units may vary from Participant to Participant and between groups of Participants. Prior to the grant of Restricted Stock Units, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Unit; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Restricted Stock Units that will be awarded to the Participant. Prior to the payment (whether in Shares, cash or otherwise) of any Restricted Stock Units, the Committee shall determine the extent to which such Restricted Stock Units have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Restricted Stock Units that are subject to different Performance Periods and have different performance goals and other criteria.

7.4 **Termination During Performance Period.** If a Participant is Terminated during a Performance Period for any reason, then such Participant will be entitled to payment (whether in Shares, cash or otherwise) with respect to the Restricted Stock Units only to the extent earned as of the date of Termination in accordance with the Restricted Stock Unit Agreement, unless the Committee determines otherwise in the case of a Participant who is not a covered employee for purposes of Section 162(m) of the Code in the year of Termination.

7.5 **Payment When Restrictions Lapse.** The cash or Shares that a Participant is entitled to receive pursuant to a Restricted Stock Unit shall be paid or issued to the Participant when all applicable restrictions and other conditions applicable to the Restricted Stock Unit have lapsed or have been satisfied, unless the Restricted Stock Unit Agreement provides for a later settlement date in compliance with Section 409A of the Code.

**8. STOCK APPRECIATION RIGHTS.** The Committee may grant Stock Appreciation Rights or SARs to eligible persons and will determine the number of Shares subject to the SARs, the Exercise Price of the SARs, the period during which the SARs may be exercised, and all other terms and conditions of the SARs, subject to the following:

8.1 **Form of SAR Grant.** SARs granted under this Plan will be evidenced by an Award Agreement that will expressly identify the SARs as freestanding SARs (SARs granted independent of any other Option), tandem SARs (SARs granted in connection with an Option, or any portion thereof), or any combination thereof ( ***SAR Agreement*** ), and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

8.2 **Date of Grant.** The date of grant of a SAR will be the date on which the Committee makes the determination to grant such SAR, unless otherwise specified by the Committee. The SAR Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the SAR.

8.3 **Exercise Price and Other Terms.**

(a) The Committee, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan; *provided, however*, that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted; *provided, further*, that the Exercise Price for freestanding SARs shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the grant date. The Exercise Price for tandem SARs shall equal the Exercise Price of the related Option.

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(b) Participant's ability to exercise SARs shall be subject to such restrictions, if any, as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or a Subsidiary or upon completion of the performance goals as set out in advance in the Participant's individual SAR Agreement. SARs may vary from Participant to Participant and between groups of Participants. Should the Committee elect to impose restrictions on a SAR, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the SAR; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares subject to such SAR. Prior to such SAR becoming exercisable, the Committee shall determine the extent to which such Performance Factors have been met. Performance Periods may overlap and Participants may participate simultaneously with respect to SAR that are subject to different Performance Periods and have different performance goals and other criteria.

8.4 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. Tandem SARs may be exercised only with respect to the Shares for which the related Option is then exercisable. With respect to tandem SARs granted in connection with an Option: (a) the tandem SARs shall expire no later than the expiration of the underlying Option; (b) the value of the payout with respect to the tandem SARs shall be for no more than one hundred percent (100%) of the difference between the Exercise Price of the underlying Option and the Fair Market Value of the Shares subject to the underlying Option at the time the tandem SARs are exercised; and (c) the tandem SARs shall be exercisable only when the Fair Market Value of the Shares subject to the underlying Option exceeds the Exercise Price of the Option.

8.5 Exercise of Freestanding SARs. Freestanding SARs shall be exercisable on such terms and conditions as the Committee, in its sole discretion, shall determine.

8.6 Payment of SAR Amount. Upon exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between (i) the Fair Market Value of a Share on the date of exercise (or such other date as may be determined by the Committee and set forth in the Participant's SAR Agreement) and (ii) the Exercise Price; times
- (b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon exercise of the SAR may be in cash, in Shares of equivalent value, or in some combination thereof.

8.7 Termination. Notwithstanding the exercise periods set forth in the SAR Agreement, exercise of a SAR will always be subject to the following:

- (a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's SAR only to the extent that such SAR would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee), but in any event, no later than the expiration date of the SAR.
- (b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than for Cause or because of Participant's Disability), then Participant's SAR may be exercised only to the extent that such SAR would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date, but in any event no later than the expiration date of the SAR.

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- (c) Notwithstanding the provisions in paragraph 8.7(a) above, if a Participant is terminated for Cause, neither the Participant, the Participant's estate nor such other person who may then hold the SAR shall be entitled to exercise any SAR with respect to any Shares whatsoever, after termination of service, whether or not after termination of service the Participant may receive payment from the Company or Subsidiary for vacation pay, for services rendered prior to termination, for services rendered for the day on which Termination occurs, for salary in lieu of notice, or for any other benefits. In the event that the Committee has delegated to one or more officers of the Company the authority set forth in Section 4.2 above and Participant has been notified that such officer or officers has made a determination that Participant has been terminated for Cause, Participant shall have five (5) business days (measured from the date he or she was first notified of such determination) to appeal such determination to the Committee. If Participant appeals to the Committee in a timely manner, the Committee shall give the Participant an opportunity to present to the Committee evidence on his or her behalf. If the Committee has not delegated to one or more officers of the Company the authority set forth in Section 4.2, and the Committee makes such Cause determination itself, such decision shall be deemed final and unappealable. For the purpose of this paragraph, termination of service shall be deemed to occur on the date when the Company or Subsidiary dispatches notice or advice to the Participant that his service is terminated.

8.8 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding SARs and authorize the grant of new SARs, provided however, that (i) any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any SAR previously granted, (ii) any such action shall not extend the exercise period of the SAR to a date later than the later of (a) the fifteenth day of the third month following the date on which the SAR otherwise would have expired or (b) December 31 of the calendar year in which the Option would have otherwise expired, and (iii) the Committee may not reduce the Exercise Price of outstanding SARs without the approval of the stockholders.

**9. PAYMENT FOR SHARE PURCHASES**. Where expressly approved for the Participant by the Committee and where permitted by law, payment for Shares purchased pursuant to this Plan may:

- (a) be made in cash (by check);
- (b) by cancellation of indebtedness of the Company to the Participant;
- (c) by surrender of shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the public market;
- (d) by waiver of compensation due or accrued to the Participant for services rendered;

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- (e) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:
  - (1) through a same day sale commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an *NASD Dealer*) whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or
  - (2) through a margin commitment from the Participant and a NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or
- (f) by withholding from the Shares to be issued upon exercise of an Award that number of Shares having a Fair Market Value equal to the minimum amount required to satisfy the Exercise Price or Purchase Price (the Fair Market Value of the Shares to be withheld shall be determined on the date that the Award is exercised by the Participant); or
- (g) by any combination of the foregoing; or
- (h) such other consideration and method of payment for issuance of Shares to the extent permitted by applicable laws.

**10. AUTOMATIC GRANTS TO OUTSIDE DIRECTORS.**

10.1 **Types of Awards and Shares.** Awards granted under this Plan and subject to this Section 10 may, at the discretion of the Committee, be NQSOs, SARs, or Restricted Stock Units; *provided, however*, that any payment upon exercise of SARs granted pursuant to this section 10 shall be in Shares of equivalent value.

10.2 **Eligibility.** Awards subject to this Section 10 shall be granted only to Outside Directors. Outside Directors shall also be eligible to receive Awards granted pursuant to sections 5, 6, 7 and 8 hereof at such times and on such conditions as determined by the Committee.

10.3 **Initial Grant.** Each Outside Director who first becomes a member of the Board on or after the Effective Date will automatically be granted (a) an Option or SAR, as determined by the Committee, for 17,500 Shares and (b) 2,500 Restricted Stock Units (together, an *Initial Grant*) on the date such Outside Director first becomes a member of the Board.

10.4 **Succeeding Grants.** Upon re-election to the Board at each Annual Meeting of Stockholders, each Outside Director will automatically be granted (a) an Option or SAR, as determined by the Committee, for 8,400 Shares and (b) 1,200 Restricted Stock Units (together, a *Succeeding Grant*); *provided, however*, that any such Outside Director who received an Initial Grant since the last Annual Meeting of Stockholders will receive a prorated Succeeding Grant consisting of (x) an Option or SAR, as determined by the Committee, to purchase a number of Shares equal to 8,400 multiplied by a fraction whose numerator is the number of calendar

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months or portions thereof that the Outside Director has served since the date of the Initial Grant and whose denominator is twelve, and (y) a grant of Restricted Stock Units equal to 1,200 multiplied by a fraction whose numerator is the number of calendar months or portions thereof that the Outside Director has served since the date of the Initial Grant and whose denominator is twelve.

### **10.5 Vesting.**

(a) The date an Outside Director receives an Initial Grant or a Succeeding Grant is referred to in this Plan as the ***Start Date*** for such Award. Each Initial Grant will vest (a) with respect to Options or SARs, as to 2% of the Shares on the Start Date for such Initial Grant, and as to an additional 2% of the Shares on the first day of each calendar month after the Start Date, so long as the Outside Director continuously remains a director of the Company, and (b) with respect to Restricted Stock Units, in accordance with the Restricted Stock Unit Agreement. Succeeding Grants will vest in accordance with each Stock Option, SAR or Restricted Stock Unit Agreement, as the case may be.

(b) Notwithstanding any provision to the contrary, in the event of a corporate transaction described in Section 19.1, the vesting of all Awards granted to Outside Directors pursuant to this Section 10 will accelerate and such Awards will become exercisable in full prior to the consummation of such event at such times and on such conditions as the Committee determines, and must be exercised, if at all, within three months of the consummation of said event. Any Awards not exercised within such three-month period shall expire.

**10.6 Exercise Price.** The exercise price of an Award pursuant to an Initial Grant or Succeeding Grant shall be the Fair Market Value of the Shares at the time that the Award is granted.

**10.7 Shares in Lieu of Cash Compensation.** Each Outside Director may elect to reduce all or part of the cash compensation otherwise payable for services to be rendered by him as a director (including the annual retainer and any fees payable for serving on the Board or a Committee of the Board) and to receive in lieu thereof Shares. Any such election shall be in writing and must be made before the services are rendered giving rise to such compensation, and may not be revoked or changed thereafter during the Outside Director's term. On such election, the cash compensation otherwise payable will be increased by 10% for purposes of determining the number of Shares to be credited to such Outside Director. If an Outside Director so elects to receive Shares in lieu of cash, there shall be credited to such Outside Director a number of Shares equal to the amount of the cash compensation so reduced (increased by 10% as described in the preceding sentence) divided by the Fair Market Value on the day in which the compensation would have been paid in the absence of such election.

## **11. WITHHOLDING TAXES.**

**11.1 Withholding Generally.** Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax and social security requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax and social security requirements.

**11.2 Stock Withholding.** When, under applicable tax or social security laws, a Participant incurs tax or social security liability in connection with the exercise or vesting of any Award that is subject to tax or social security withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may in its sole discretion allow the Participant to satisfy the minimum tax or social security withholding obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined.

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All elections by a Participant to have Shares withheld for this purpose will be made in accordance with the requirements established by the Committee and be in writing in a form acceptable to the Committee.

**12. TRANSFERABILITY.**

12.1 Except as otherwise provided in this Section 12, Awards granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as determined by the Committee and set forth in the Award Agreement with respect to Awards that are not ISOs.

12.2 All Awards other than NQSOs and SARs. All Awards other than NQSOs and SARs shall be exercisable: (i) during the Participant's lifetime, only by (A) the Participant, or (B) the Participant's guardian or legal representative; and (ii) after Participant's death, by the legal representative of the Participant's heirs or legatees.

12.3 NQSOs and SARs. Unless otherwise restricted by the Committee, a NQSO and SAR shall be exercisable: (i) during the Participant's lifetime only by (A) the Participant, (B) the Participant's guardian or legal representative, (C) a Family Member of the Participant who has acquired the NQSO or SAR by permitted transfer; and (ii) after Participant's death, by the legal representative of the Participant's heirs or legatees. Permitted transfer means, as authorized by this Plan and the Committee in a Stock Option Agreement or SAR Agreement, any transfer effected by the Participant during the Participant's lifetime of an interest in such NQSO and SAR but only such transfers which are by gift or domestic relations order. A permitted transfer does not include any transfer for value and neither of the following are transfers for value: (a) a transfer under a domestic relations order in settlement of marital property rights or (b) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members or the Participant in exchange for an interest in that entity.

**13. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.**

13.1 Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price pursuant to Section 13.2.

13.2 Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Unvested Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Exercise Price or Purchase Price, as the case may be.

**14. CERTIFICATES.** All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

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**15. ESCROW; PLEDGE OF SHARES.** To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; *provided, however*, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

**16. EXCHANGE AND BUYOUT OF AWARDS.** The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards; *provided, however*, that no such exchange program may, without the approval of the Company's stockholders, allow for the cancellation of an outstanding Option or Stock Appreciation Right followed by its replacement with a new Option or Stock Appreciation Right having a lower Exercise Price. The Committee may, subject to approval by the Company's stockholders, at any time buy from a Participant an Award previously granted with payment in cash, Shares (including Restricted Stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

**17. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE.** An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

**18. NO OBLIGATION TO EMPLOY.** Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary of the Company or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

**19. CORPORATE TRANSACTIONS.**

19.1 **Assumption or Replacement of Awards by Successor.** Except for automatic grants to Outside Directors pursuant to Section 10 hereof, in the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest

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in the Company, (d) the sale of substantially all of the assets of the Company, or (e) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participants, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation (if any) refuses to assume or substitute Awards, as provided above, pursuant to a transaction described in this Section 19.1, such Awards will accelerate and will become exercisable in full prior to the consummation of such transaction at such time and on such conditions as the Committee will determine, and if such Awards are not exercised prior to the consummation of the corporate transaction, they shall terminate at such time as determined by the Committee.

19.2 **Other Treatment of Awards.** Subject to any greater rights granted to Participants under the foregoing provisions of this Section 19, in the event of the occurrence of any transaction described in Section 19.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, or sale of assets.

19.3 **Assumption of Awards by the Company.** The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Sections 409A and 424(a) of the Code). In the event the Company elects to grant a new Option or SAR rather than assuming an existing option, such new Option or SAR may be granted with a similarly adjusted Exercise Price.

20. **ADOPTION AND STOCKHOLDER APPROVAL.** This Plan will become effective on the date that it is adopted by the Board (the *Effective Date*). This Plan shall be approved by the stockholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board. Upon the Effective Date, the Committee may grant Awards pursuant to this Plan; *provided, however*, that: (a) no Option or SAR may be exercised prior to initial stockholder approval of this Plan; (b) no Option or SAR granted pursuant to an increase in the number of Shares subject to this Plan approved by the Board will be exercised prior to the time such increase has been approved by the stockholders of the Company; (c) in the event that initial stockholder approval is not obtained within the time period provided herein, all Awards granted hereunder shall be cancelled, any Shares issued pursuant to any Awards shall be cancelled and any purchase of Shares issued hereunder shall be rescinded; and (d) in the event that stockholder approval of such increase is not obtained within the time period provided herein, all Awards granted pursuant to such increase will be cancelled, any Shares issued pursuant to any Award granted pursuant to such increase will be cancelled, and any purchase of Shares pursuant to such increase will be rescinded.

21. **TERM OF PLAN/GOVERNING LAW.** Unless terminated as provided herein, this Plan will continue in effect terminate twenty (20) years from the date this Plan was first adopted by the Board or, if earlier, the date of stockholder approval. This Plan and all agreements thereunder shall be governed by and construed in accordance with the laws of the State of California.



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**22. AMENDMENT OR TERMINATION OF PLAN.** The Board may at any time terminate or amend this Plan in any respect, including without limitation amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; *provided, however*, that the Board will not, without the approval of the stockholders of the Company, amend this Plan in any manner that requires such stockholder approval.

**23. NONEXCLUSIVITY OF THE PLAN.** Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

**24. DEFINITIONS.** As used in this Plan, the following terms will have the following meanings:

***Award*** means any award under this Plan, including any Option, Restricted Stock, Restricted Stock Unit or Stock Appreciation Right.

***Award Agreement*** means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

***Board*** means the Board of Directors of the Company.

***Cause*** means the commission of an act of theft, embezzlement, fraud, dishonesty, other acts constituting gross misconduct, or a breach of fiduciary duty to the Company or a Parent or Subsidiary of the Company.

***Code*** means the Internal Revenue Code of 1986, as amended.

***Committee*** means the Compensation Committee of the Board.

***Company*** means Electronic Arts Inc. or any successor corporation.

***Disability*** means a disability, whether temporary or permanent, partial or total, as determined by the Committee.

***Exchange Act*** means the Securities Exchange Act of 1934, as amended.

***Exercise Price*** means the price at which a holder of an Option or a SAR, as the case may be, may purchase the Shares issuable upon exercise of such Option or SAR.

***Fair Market Value*** means, as of any date, the value of a share of the Company's Common Stock determined as follows:

- (a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in The Wall Street Journal;
- (b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in The Wall Street Journal;
- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal; or

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- (d) if none of the foregoing is applicable, by the Committee in good faith.

***Family Member*** includes any of the following:

- (a) child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Participant, including any such person with such relationship to the Participant by adoption;
- (b) any person (other than a tenant or employee) sharing the Participant's household;
- (c) a trust in which the persons in (a) and (b) have more than fifty percent of the beneficial interest;
- (d) a foundation in which the persons in (a) and (b) or the Participant control the management of assets; or
- (e) any other entity in which the persons in (a) and (b) or the Participant own more than fifty percent of the voting interest.

***Insider*** means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

***Option*** means an award of an option to purchase Shares pursuant to Section 5.

***Outside Director*** means a member of the Board who is not an employee of the Company or any Parent or Subsidiary of the Company.

***Parent*** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

***Participant*** means a person who receives an Award under this Plan.

***Performance Factors*** means any of the factors selected by the Committee and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to the Company as a whole or any business unit or Subsidiary, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established by the Committee with respect to applicable Awards have been satisfied:

- (a) Profit Before Tax
- (b) Revenue (on an absolute basis or adjusted for currency effects);
- (c) Net revenue;
- (d) Earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings);

(e) Operating income;

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- (f) Operating margin;
- (g) Operating profit;
- (h) Controllable operating profit, or net operating profit;
- (i) Net Profit;
- (j) Gross margin;
- (k) Operating expenses or operating expenses as a percentage of revenue;
- (l) Net income;
- (m) Earnings per share;
- (n) Total stockholder return;
- (o) Market share;
- (p) Return on assets or net assets;
- (q) The Company's stock price;
- (r) Growth in stockholder value relative to a pre-determined index;
- (s) Return on equity;
- (t) Return on invested capital;
- (u) Cash Flow (including free cash flow or operating cash flows)
- (v) Cash conversion cycle;

- (w) Economic value added; and
  
- (x) Individual confidential business objectives;
  
- (y) Contract awards or backlog;
  
- (z) Overhead or other expense reduction;
  
- (aa) Credit rating;
  
- (bb) Strategic plan development and implementation;
  
- (cc) Succession plan development and implementation;
  
- (dd) Improvement in workforce diversity;
  
- (ee) Customer indicators;
  
- (ff) New product invention or innovation;
  
- (gg) Attainment of research and development milestones;

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(hh) Improvements in productivity;

(ii) Attainment of objective operating goals and employee metrics.

The Committee may, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the Performance Factors to preserve the Committee's original intent regarding the Performance Factors at the time of the initial award grant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.

**Performance Period** means the period of service determined by the Committee, which shall be no less than one calendar quarter nor more than five years (unless tied to a specific and objective milestone or event), during which time of service or performance is to be measured for Awards.

**Plan** means this EA 2000 Equity Incentive Plan, as amended from time to time.

**Restricted Stock Award** means an award of Shares that are subject to restrictions pursuant to Section 6.

**Restricted Stock Unit** means an award of the right to receive, in cash or Shares, the value of a share of the Company's Common Stock pursuant to Section 7.

**SEC** means the Securities and Exchange Commission.

**Securities Act** means the Securities Act of 1933, as amended.

**Shares** means shares of the Company's Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 19, and any successor security.

**Stock Appreciation Right** or **SAR** means an Award, granted alone or in tandem with a related Option that pursuant to Section 8 is designated as a SAR.

**Subsidiary** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**Termination** or **Terminated** means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor, or advisor to the Company or a Parent or Subsidiary of the Company. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence approved by the Committee, provided, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, the Committee may make such provisions respecting suspension of vesting of the Award while on leave from the employ of the Company or a Subsidiary as it may deem appropriate, except that in no event may an Option be exercised after the expiration of the term set forth in the Option agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the **Termination Date**).

**Unvested Shares** means Unvested Shares as defined in the Award Agreement.

**Vested Shares** means Vested Shares as defined in the Award Agreement.

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**Appendix D**

*(included only with the electronic filing of Schedule 14A with the SEC;*

*Appendix D is not a part of the proxy statement)*

**ELECTRONIC ARTS INC.**

**2000 EMPLOYEE STOCK PURCHASE PLAN**

**As Proposed to be Amended by the Stockholders on July 29, 2009**

1. **Establishment of Plan.** Electronic Arts Inc., (the Company ) proposes to grant options for purchase of the Company's Common Stock to eligible employees of the Company and its Subsidiaries (as hereinafter defined) pursuant to this 2000 Employee Stock Purchase Plan (the Plan ). For purposes of this Plan, parent corporation and Subsidiary (collectively, Subsidiaries ) shall have the same meanings as parent corporation and subsidiary corporation in Sections 424(e) and 424(f), respectively, of the Internal Revenue Code of 1986, as amended (the Code ). The Company intends that the Plan shall feature two components: (i) an employee stock purchase plan under Section 423 of the Code (including any amendments or replacements of such section) for participants residing in the U.S., and (ii) an employee stock purchase plan that is intended to grant purchase rights under rules, procedures or sub-plans that are not intended to qualify Section 423 of the Code for participants that are not residing in the U.S. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 12,800,000 shares of Common Stock are reserved for issuance under the Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of the Plan.

2. **Purposes.** The purpose of the Plan is to provide employees of the Company and its Subsidiaries designated by the Board of Directors as eligible to participate in the Plan with a convenient means to acquire an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and its Subsidiaries, and to provide an incentive for continued employment.

3. **Administration.** This Plan may be administered by the Board or a committee appointed by the Board (the Committee ). The Plan shall be administered by the Board or a committee appointed by the Board consisting of not less than three (3) persons (who are members of the Board), each of whom is a disinterested director. As used in this Plan, references to the Committee shall mean either the committee appointed by the Board to administer this Plan or the Board if no committee has been established. Subject to the provisions of the Plan and the limitations of Section 423 of the Code or any successor provision in the Code, if applicable, all questions of interpretation or application of the Plan shall be determined by the Committee and its decisions shall be final and binding upon all participants. Members of the Committee shall receive no compensation for their services in connection with the administration of the Plan, other than standard fees as established from time to time by the Board of Directors of the Company for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

4. **Eligibility.** Any employee of the Company or the Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under the Plan except the following:

(a) employees who are not employed by the Company or its Subsidiaries on the fifteenth (15th) day of the month before the beginning of such Offering Period;

(b) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock or who, as a result of being granted an option under the Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five (5) percent or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries; and

(c) employees who would, by virtue of their participation in such Offering Period, be participating simultaneously in more than one Offering Period under the Plan.

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For employees of Subsidiaries located in the U.S., the following would not be eligible to participate in an Offering Period:

- (a) employees who are customarily employed for less than 20 hours per week, and
- (b) employees who are customarily employed for less than five (5) months in a calendar year.

5. **Offering Dates.** The Offering Periods of the Plan (the Offering Period) shall be of twelve (12) months duration commencing on the first business day of March and September of each year and ending on the last business day of February and August, respectively, hereafter. The first Offering Period shall commence on September 1, 2000. The first day of each Offering Period is referred to as the Offering Date. Each Offering Period shall consist of two (2) six-month purchase periods (individually, a Purchase Period), during which payroll deductions of the participant are accumulated under this Plan. Each such six-month Purchase Period shall commence on the first business day of March and September of an Offering Period and shall end on the last business day of the following August and February, respectively. The last business day of each Purchase Period is hereinafter referred to as the Purchase Date. The Board of Directors of the Company shall have the power to change the duration of Offering Periods or Purchase Periods without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period or Purchase Period, as the case may be, to be affected.

6. **Participation in the Plan.** Eligible employees may become participants in an Offering Period under the Plan on the first Offering Date after satisfying the eligibility requirements by delivering to the Company or Subsidiary (whichever employs such employee) payroll department (the payroll department) not later than the 15th day of the month before such Offering Date unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given Offering Period a subscription agreement authorizing payroll deductions. An eligible employee who does not deliver a subscription agreement to the payroll department by such date after becoming eligible to participate in such Offering Period under the Plan shall not participate in that Offering Period or any subsequent Offering Period unless such employee enrolls in the Plan by filing the subscription agreement with the payroll department not later than the 15th day of the month preceding a subsequent Offering Date. Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws from the Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreements in order to continue participation in the Plan. Any participant whose option expires and who has not withdrawn from the Plan pursuant to Section 11 below will automatically be re-enrolled in the Plan and granted a new option on the Offering Date of the next Offering Period. A participant in the Plan may participate in only one Offering Period at any time.

In jurisdictions where payroll deductions are not permitted under local law, the eligible employees may participate in the Plan by making contributions in the form that is acceptable and approved by the Board or Committee.

7. **Grant of Option on Enrollment.** Enrollment by an eligible employee in the Plan with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such employee of an option to purchase on each Purchase Date up to that number of shares of Common Stock of the Company determined by dividing the amount accumulated in such employee's payroll deduction account during such Purchase Period by the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date (the Entry Price) or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Purchase Date, provided, however, that the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan shall not exceed the lesser of (a) the maximum number of shares set by the Board pursuant to Section 10(c) below with respect to all Purchase Periods within the applicable Offering Period or Purchase Period, or (b) 200% of the number of shares determined by using 85% of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator. Fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 hereof.



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8. *Purchase Price*. The purchase price per share at which a share of Common Stock will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of:

- (a) the fair market value on the Offering Date, or
- (b) the fair market value on the Purchase Date.

For purposes of the Plan, the term "fair market value" on a given date shall mean the closing bid from the previous day's trading of a share of the Company's Common Stock as reported on the NASDAQ National Market System.

9. *Payment of Purchase Price; Changes in Payroll Deductions; Issuance of Shares*.

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Purchase Period. The deductions are made as a percentage of the employee's compensation in one percent (1%) increments not less than two percent (2%) nor greater than ten percent (10%). Compensation shall mean base salary, commissions, overtime, performance bonuses, discretionary bonuses, stay bonuses, referral bonuses, sabbatical cash outs, shift differentials, and such other forms of compensation as the Committee, in the exercise of its discretion under the Plan, may designate as subject to payroll deductions for purposes of the Plan. Notwithstanding the foregoing, Compensation shall not include car benefits/allowances, income derived from stock options, equity-based compensation, or payments made in connection with termination (including, but not limited to, holiday accrual cash outs, severance pay, separation pay, or ex gratia payments). Payroll deductions shall commence with the first pay period following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in the Plan.

(b) A participant may lower (but not increase) the rate of payroll deductions during a Purchase Period by filing with the payroll department a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing more than 15 days after the payroll department's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than one change may be made effective during any Purchase Period. A participant may increase or lower the rate of payroll deductions for any subsequent Purchase Period by filing with the payroll department a new authorization for payroll deductions not later than the 15th day of the month before the beginning of such Purchase Period.

(c) Subject to the laws of the local jurisdiction, all payroll deductions made for a participant are credited to his or her account under the Plan and are deposited with the general funds of the Company; no interest accrues on the payroll deductions. Subject to the laws of the local jurisdiction, all payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(d) On each Purchase Date, as long as the Plan remains in effect and provided that the participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the participant wishes to withdraw from that Offering Period under the Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of the Plan. Any cash remaining in a participant's account after such purchase of shares shall be refunded to such participant in cash; provided, however, that any amount remaining in participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock of the Company shall be carried forward, without interest, into the next Purchase Period or Offering Period, as the case may be. In the event that the Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in the Plan has terminated prior to such Purchase Date.

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(e) As promptly as practicable after the Purchase Date, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his option; provided that the Board may deliver certificates to a broker or brokers that hold such certificates in street name for the benefit of each such participant.

(f) During a participant's lifetime, such participant's option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised. Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse.

10. Limitations on Shares to be Purchased.

(a) No employee shall be entitled to purchase stock under the Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds US\$25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in the Plan.

(b) No more than 200% of the number of shares determined by using 85% of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator may be purchased by a participant on any single Purchase Date.

(c) No employee shall be entitled to purchase more than the Maximum Share Amount (as defined below) on any single Purchase Date. Not less than thirty days prior to the commencement of any Purchase Period, the Board may, in its sole discretion, set a maximum number of shares which may be purchased by any employee at any single Purchase Date (hereinafter the Maximum Share Amount). In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(b) above. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount not less than fifteen (15) days prior to the commencement of the next Purchase Period. Once the Maximum Share Amount is set, it shall continue to apply with respect to all succeeding Purchase Dates and Purchase Periods unless revised by the Board as set forth above.

(d) If the number of shares to be purchased on a Purchase Date by all employees participating in the Plan exceeds the number of shares then available for issuance under the Plan, the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be practicable and as the Board shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each employee affected thereby.

(e) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant as soon as practicable after the end of the Offering Period.

11. Withdrawal.

(a) Each participant may withdraw from an Offering Period under the Plan by signing and delivering to the payroll department notice on a form provided for such purpose. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of an Offering Period.

(b) Upon withdrawal from the Plan, the accumulated payroll deductions shall be returned to the withdrawn employee and his or her interest in the Plan shall terminate. In the event an employee voluntarily elects to withdraw from the Plan, he or she may not resume his or her participation in the Plan during the same Offering Period, but he or she may participate in any Offering Period under the Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth above for initial participation in the Plan. However, if the participant is an insider for purposes of Rule 16(b), he or she shall not be eligible to participate in any Offering Period under the Plan which commences less than six (6) months from the date of withdrawal from the Plan.

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(c) A participant may participate in the current Purchase Period under an Offering Period (the *Current Offering Period* ) and enroll in the Offering Period commencing after such Purchase Period (the *New Offering Period* ) by (i) withdrawing from participating in the Current Offering Period effective as of the last day of a Purchase Period within that Offering Period and (ii) enrolling in the New Offering Period. Such withdrawal and enrollment shall be effected by filing with the payroll department at least fifteen (15) days prior to the end of a Purchase Period such form or forms as are provided for such purposes.

12. *Termination of Employment.* Termination of a participant's employment for any reason, including retirement or death or the failure of a participant to remain an eligible employee, terminates his or her participation in the Plan immediately. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative. For this purpose, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company in the case of sick leave, military leave, or any other leave of absence approved by the Board of Directors of the Company; provided that such leave is for a period of not more than ninety (90) days or re employment upon the expiration of such leave is guaranteed by contract or statute.

13. *Return of Payroll Deductions.* In the event an employee's interest in the Plan is terminated by withdrawal, termination of employment or otherwise, or in the event the Plan is terminated by the Board, the Company shall promptly deliver to the employee all payroll deductions credited to his account. No interest shall accrue on the payroll deductions of a participant in the Plan, unless otherwise required by the laws of a local jurisdiction.

14. *Capital Changes.* Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the *Reserves* ), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that the options under the Plan shall terminate as of a date fixed by the Board and give each participant the right to exercise his or her option as to all of the optioned stock, including shares, which would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the optioned stock. If the Board makes an option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the participant that the option shall be fully exercisable for a period of twenty (20) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more

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reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

15. *Nonassignability*. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect.

16. *Reports*. Individual accounts will be maintained for each participant in the Plan. Each participant shall receive promptly after the end of each Purchase Period a report of his account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. *Notice of Disposition*. Each participant shall notify the Company if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within twelve (12) months from the Purchase Date on which such shares were purchased (the Notice Period). Unless such participant is disposing of any of such shares during the Notice Period, such participant shall keep the certificates representing such shares in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to the Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on certificates.

18. *No Rights to Continued Employment*. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Subsidiary or restrict the right of the Company or any Subsidiary to terminate such employee's employment.

19. *Equal Rights and Privileges*. All eligible employees shall have equal rights and privileges with respect to the Plan. The Section 423 component of the Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of the Section 423 component of the Plan which is inconsistent with Section 423 or any successor provision of the Code shall without further act or amendment by the Company or the Board be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in the Plan.

20. *Notices*. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. *Stockholder Approval of Amendments*. Any required approval of the stockholders of the Company for an amendment shall be solicited at or prior to the first annual meeting of stockholders held subsequent to the grant of an option under the Plan as then amended to an officer or director of the Company. If such stockholder approval is obtained at a duly held stockholders' meeting, it must be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the company represented and voting at the meeting, or if such stockholder approval is obtained by written consent, it must be obtained by the majority of the outstanding shares of the Company; provided, however, that approval at a meeting or by written consent may be obtained by a lesser degree of stockholder approval if the Board determines, in its discretion after consultation with the Company's legal counsel, that such lesser degree of stockholder approval will comply with all applicable laws and will not adversely affect the qualification of the Section 423 component of the Plan under Section 423 of the Code or Rule 16b-3 promulgated under the Exchange Act ( Rule 16b-3 ).

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22. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of a Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. Conditions Upon Issuance of Shares; Limitation on Sale of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. Applicable Law. Except as otherwise expressly required under the laws of a country, the Plan and all rights thereunder shall be governed by and construed in accordance with the laws of the state of California, United States of America. Should any provision of this Plan be determined by a court of competent jurisdiction to be unlawful or unenforceable for a country, such determination shall in no way affect the application of that provision in any other country, or any of the remaining provisions of the Plan.

25. Amendment or Termination of the Plan. This Plan shall be effective on the day after the effective date of the Company's Registration Statement filed with the Securities Exchange Commission under the Securities Act of 1933, as amended, with respect to the shares issuable under the Plan (the Effective Date), subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board of Directors of the company and the Plan shall continue until the earlier to occur of termination by the Board, or issuance of all of the shares of Common Stock reserved for issuance under the Plan. The Board of Directors of the Company may at any time amend or terminate the Plan, except that any such termination cannot affect options previously granted under the Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within 12 months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

(a) Increase the number of shares that may be issued under the Plan;

(b) Change the designation of the employees (or class of employees) eligible for participation in the Plan; or

(c) Constitute an amendment for which stockholder approval is required in order to comply with Rule 16b-3 (or any successor rule) of the Exchange Act.

26. Rules for Foreign Jurisdictions.

(a) The Board or Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of the law and procedures of foreign jurisdictions. Without limiting the generality of the foregoing, the Board or Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates that vary with local requirements.

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(b) The Board or Committee may also adopt rules, procedures or sub-plans applicable to particular subsidiaries or locations, which -sub-plans may be designed to be outside the scope of Code Section 423. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Section 3, but unless otherwise superceded by the terms of such sub-plan, the provisions of the Plan shall govern the operation of such sub-plan. To extent inconsistent with the requirements of Code Section 423, such sub-plan shall be considered part of the Non-423 Plan, and options granted thereunder shall not be considered to comply with Code Section 423.

27. Designation of Subsidiaries. The Board or Committee shall designate from among the Subsidiaries, as determined from time to time, the Subsidiary or Subsidiaries whose Employees shall be eligible to participate in the Plan. The Board or Committee may designate a Subsidiary, or terminate the designation of a Subsidiary, without the approval of the shareowners of the Corporation.

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