

INFINITY WARD  
OPERATIONAL STRUCTURE AND COMPENSATION  
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (this "MOU") is dated as of March 13, 2008, and is intended to formally memorialize the principle agreement between Activision Publishing, Inc. ("Activision") and its wholly owned studio, Infinity Ward, Inc. ("IW"), on the one hand, and the management employees of IW, Jason West and Vince Zampella ("IW Management"), on the other hand, regarding the structure of ongoing operations of IW and related compensation enhancements to IW employees resulting from the efforts and contributions of IW and IW Management.

1. **Next Games:**

a. **Modern Warfare Sequel.** IW agrees to develop and complete the first sequel to *Call of Duty 4-Modern Warfare* (e.g., *Modern Warfare 2*) in sufficient time for such title to be commercially released by November 15, 2009.

b. **IW Chosen Projects.** Following the release of *Modern Warfare 2* and consistent with and subject to the provisions of Section 2(a) and (b), IW will be entitled to operate as if it were independent in that it will be permitted to choose its own development projects and release schedules.

2. **Operational and Creative Responsibilities:**

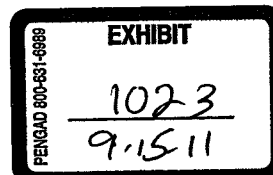
a. **Modern Warfare.** IW Management will be entitled to exercise creative authority over the development of any games to be published under the *Modern Warfare* brand (e.g., sequels to *Call of Duty 4-Modern Warfare*). Functionally, this means that no game associated with the *Modern Warfare* brand can be commercially released without the written consent of IW Management. All licensing activities and other exploitation involving the *Modern Warfare* brand and IP would also be subject to the written consent of IW Management. In that regard, IW Management will be entitled to exercise creative authority over the following functions, subject to Activision management's reasonable approval and corporate governance policies and approved financial budgets:

- (i) Product development, including, but not limited to, concept and game design, storyline, audio-visual content creation, and software programming, technology and tools;
- (ii) Product and sku plans, platform selection, product release schedule and ship dates;
- (iii) Development team composition and personnel matters, including employee recruiting;
- (iv) Exploitation of franchise rights and related intellectual property rights, including business development and licensing out arrangements;
- (v) Website designs and strategies;
- (vi) Network infrastructure and operations;
- (vii) Studio expansion;
- (viii) QA and TRG;
- (ix) Purchasing of office and desktop equipment and software; and
- (x) Community management.

Notwithstanding the foregoing, Activision will retain primary responsibility for publishing and corporate functions including the following, subject to the reasonable input and consultation of IW Management:

- (i) Marketing, advertising, branding, packaging, promotional and PR activities, strategies and execution, provided that IW Management shall appoint a marketing manager (the selection of whom shall be subject to the consent of Activision) to be located at IW's offices who shall be dedicated to IW and its products and who shall be responsible for facilitating and enhancing IW Management's timely input and consultation rights;
- (ii) Product pricing and discounts;
- (iii) Sales and trade marketing activities, strategies and execution, as well as retailer relations;
- (iv) Operations; and
- (v) Customary corporate, legal and financial responsibilities.

*Infinity Ward-Employment MOU (2008) vFinal (Execution Version)*



b. **New IP.** In the event that IW commences development of a new video game IP ("New IP"), IW will have the same creative authority over the New IP as with *Modern Warfare* as described in Section 2(a) above. It is currently contemplated that the New IP would be either based in the sci-fi genre with a 3-year development cycle or be another *Modern Warfare* based title or a non-competitive *Call of Duty* spin-off.

c. **Call of Duty.** Activision will retain authority and responsibility over all titles within the *Call of Duty* franchise (specifically excluding any *Call of Duty* title set in modern day (post Vietnam), the near future or distant future, which shall be under the authority of IW consistent with and subject to Sections 2(a) and (b)), including all creative, development and publishing decisions; provided that IW will be entitled to receive a residual IP bonus and a technology bonus from products published under the *Call of Duty* brand as outlined in Section 3(d).

### 3. Performance and Incentive Compensation:

a. **New Equity Grants.** IW will be entitled to receive the following new grants of equity compensation:

(i) Activision will grant \$35.0 million of Restricted Stock Units (RSUs) to employees of IW in accordance with an allocation schedule proposed by IW Management, subject to Activision's reasonable approval. The grant will be priced in accordance with Activision's corporate governance procedures. Activision will make good faith efforts to obtain approval of such grant at the next regularly scheduled equity compensation meeting of the Compensation Committee of Activision's Board of Directors. All RSUs will vest in equal increments over a 5 year period commencing on the first anniversary of the grant, subject to acceleration as follows: If *Modern Warfare 2* ships no later than November 15, 2009 and achieves at least \$150 million in Net Operating Income, vesting of this grant will be accelerated to be fully vested by the end of 2011.

(ii) Activision will grant \$20.0 million of RSUs to employees of IW in accordance with an allocation schedule proposed by IW Management, subject to Activision's reasonable approval. The grant will be priced in accordance with Activision's corporate governance procedures. The grant will be made upon successful establishment of an incremental New IP to be developed by IW. The New IP will be considered successfully established when \$50 million in net operating income on a single title has been delivered and it will be considered incremental if it is in addition to the regular exploitation of the *Modern Warfare* series and it is developed and supported by a second development team. All RSUs will vest in equal increments over a 1 year period commencing on the first anniversary of the grant.

b. **Previous Equity Grants.** All equity compensation previously granted remains issued, including Activision's grant of 3,000,000 in new stock options at an exercise price of \$18.70 per share for IW which were granted by Activision's Compensation Committee in accordance with the allocation instructions previously received from IW management.

c. **Call of Duty 4 Bonuses.** IW will be entitled to receive the following bonuses relating to the success of *Call of Duty 4-Modern Warfare*:

(i) **Call of Duty 4 Bonus Guarantee:** Activision commits to payment of at least \$35.0 million in studio bonus for IW relating to the performance of *Call of Duty 4-Modern Warfare*. To date, IW has received \$10.0 million of this bonus as an advance, the balance of which will be paid out as earned but in no event later than 6 months from the date of this MOU.

(ii) **Special Performance Bonus:** Activision commits to payment of \$15.0 million as an additional special studio bonus for employees of IW for the extraordinary performance of *Call of Duty 4-Modern Warfare*, \$13 million of which bonus will be allocated to non-management employees in accordance with an allocation schedule proposed by IW Management, subject to Activision's reasonable approval, and the other \$2 million to be allocated to IW Management (\$1 million each). This bonus will be paid out upon execution of 3 year employment agreement extensions by IW Management.

d. **Performance Participation.** IW will be entitled to receive the following bonus participation on Activision titles:

(i) Call of Duty IP Bonus: 6% of net operating income generated above the base net operating income performance amount of \$50.0 million per *Call of Duty* title determined in the aggregate from all platforms on which such title is released. All product SKUs will count towards the operating income performance regardless of the developer and regardless of which developer developed the main SKU. By way of example, if *Call of Duty 5* generates \$100 million in net operating income, IW will receive an IP bonus of \$3 million (6% of \$50.0 million over \$50.0 million base net operating income)

(ii) Technology Bonus: 5% of Net Operating Income if significant use of IW technology (e.g., IW's engine), including any engines derived or iterated from IW engines, or substantial use of IW assets, is made in the development of any title, provided that the "pre-bonus" Net Operating Income for the title must exceed 11% of the title's overall Net Revenues.

(iii) Studio Bonus. In connection with any title developed by IW, IW will be entitled to receive a production bonus as follows, provided that the "pre-bonus" Net Operating Income for the title must exceed 11% of the title's overall Net Revenues: (i) 10% of the first \$7.5 million of Net Operating Income; (ii) 12% of the second \$7.5 million of Net Operating Income; (iii) 15% of the next \$35 million (i.e., \$15 to \$50 million) in Net Operating Income; and (v) 20% of Net Operating Income in excess of \$50 million. The foregoing studio bonus shall apply to all ports of IW developed games as well as "sister games" that are independently developed but share the same title as an IW developed game (as such independent development may be determined by the discretion of IW Management in accordance with Sections 2(a) and (b)), provided that any bonus or royalty paid to the studio/developer of such port or sister game shall be deducted from the IW studio bonus.

(iv) Modern Warfare 2 Special Performance Bonus: Activision commits to \$5.0 million as an additional special studio bonus for employees of IW if *Modern Warfare 2* ships no later than November 15, 2009 and achieves at least \$150 million in Net Operating Income, which such bonus shall be allocated to IW employees in accordance with an allocation schedule proposed by IW Management, subject to Activision's reasonable approval.

#### 4. Administrative and Employment Matters:

(a) Employment Agreement Extension/Signing Bonus. Upon execution of 3 year employment agreement extensions by IW Management commencing as of the expiration of IW Management's current employment agreements, a \$20 million signing bonus will be paid to IW Management (\$10 million each), \$5 million (\$2.5 million each) of which shall be recoupable (but in no event refundable to Activision if not fully recouped) from IW Management's share of the studio bonus, if any, payable on *Modern Warfare 2*.

(b) Employment and Non-Competition Agreements. Employment and non-competition agreements otherwise existing between Activision and members of IW Management and IW employees, as applicable, will remain in full force and effect under their current terms.

(c) Non-Solicitation. Notwithstanding Section 4(a), each member of IW Management will agree to an additional non-solicitation period of 1 year post termination of the new 3-year employment agreement with Activision. Such non-solicitation restrictions shall be consistent with those set forth in the existing non-competition agreements between Activision and each member of IW Management.

(d) Continued Employment of IW Management. In recognition of the unique relationships and roles of IW Management, unless agreed otherwise, the terms offered by Activision pursuant to this MOU will remain valid and effective only if one or both such members of IW Management remain employed by IW. Should both members of IW Management no longer be employed by IW, the operational and creative authority provided to IW and IW Management under Sections 2(a) and (b) will be immediately rescinded and of no further force and effect and any unearned and/or unvested compensation payable hereunder, whether in the form of cash or equity, shall be immediately terminated and Activision shall have no further obligation to pay out such compensation. For purposes of clarity, if one member of IW Management is no longer employed by IW but the other member remains employed, this MOU and the rights and obligations hereunder shall remain in full force and effect, except that the unearned and unvested compensation payable to the member of IW Management who is no longer employed shall be immediately terminated and Activision shall have no further obligation to pay out any such compensation to such member of IW Management.

5. **Confidentiality**: The terms and conditions of this MOU are strictly confidential and shall not be


disclosed to any third party without the prior written consent of the other party.

6. **General:** This MOU is binding on the parties hereto and constitutes the entire understanding between the parties with respect to the subject matter hereof, thereby superseding all prior negotiations, preliminary agreements, correspondence or understandings, written or oral. No amendment or modification of this MOU will be made except by an instrument in writing signed by both parties. If any provision of this MOU is or becomes or is deemed invalid, illegal or unenforceable under the applicable laws or regulations of any jurisdiction, either such provision will be deemed amended to conform to such laws or regulations without materially altering the intentions of the parties and enforced accordingly or it shall be stricken and the remainder of this MOU shall remain in full force and effect; however, nothing herein shall in any way reduce the effectiveness of the obligations under the employment and non-competition agreements existing between Activision and members of IW Management and IW employees, as applicable, during the respective terms thereof. Substantive laws of California shall apply to this MOU, and the parties consent to the exclusive jurisdiction of the courts in Los Angeles County.

**AGREED AND ACCEPTED:**


**ACTIVISION:**

**ACTIVISION PUBLISHING, INC.**

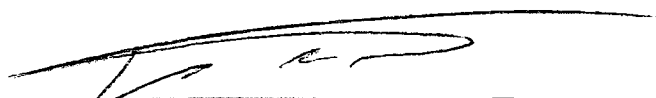
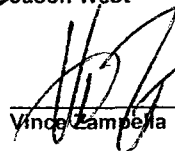
By:   
Name: Mike Griffith  
Title: President & CEO  
Date: March 13, 2008

**IW:**

**INFINITY WARD, INC.**

By:   
Name: Mike Griffith  
Title: President & CEO  
Date: March 13, 2008

**IW MANAGEMENT:**

  
Jason West  
  
Vince Zampella