ACTIVISION INC /NY
Form DEF 14A
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SCHEDULE 14A INFORMATION

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

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Check the appropriate box:
/ / Preliminary Proxy Statement
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/X/ Definitive Proxy Statement
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ACTIVISION, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):
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(4) Date Filed:

3100 Ocean Park Boulevard
Santa Monica, California 90405

August 22, 2002

Dear Stockholder:

You are cordially invited to attend the 2002 Annual Meeting of Stockholders of Activision, Inc. The meeting will be held on Thursday, September 19, 2002, beginning at 9:00 a.m., local time, at the Peninsula Hotel, 9882 South Santa Monica Blvd., Beverly Hills, California 90212.

Information about the meeting and the matters on which the Stockholders will act is included in the Notice of Annual Meeting of Stockholders and Proxy Statement which follow. Also included is a Proxy Card and postage paid return envelope.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend, we hope that you will complete and return your Proxy Card in the enclosed envelope as promptly as possible.

Sincerely,

Robert A. Kotick
Chairman and Chief Executive Officer

Brian G. Kelly
Co-Chairman

Ronald Doornink
President,
Activision, Inc. and
Chief Executive
Officer,
Activision
Publishing, Inc.

3100 Ocean Park Boulevard
Santa Monica, California 90405

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held September 19, 2002

To the Stockholders of Activision, Inc:

The 2002 Annual Meeting of Stockholders of Activision, Inc. (the "Company") will be held at the Peninsula Hotel, 9882 South Santa Monica Blvd., Beverly Hills, California 90212, on Thursday, September 19, 2002, at 9:00 a.m., local time, for the following purposes:

1. To elect six directors of the Company to hold office for one year terms and until their respective successors are duly elected and qualified.

2. To approve the Company's 2002 Executive Incentive Plan.

3. To approve the adoption of the Company's 2002 Employee Stock Purchase Plan.

4. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending March 31, 2003.

5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are described more fully in the Proxy Statement accompanying this Notice.

The Board of Directors of the Company has fixed the close of business on August 7, 2002 as the record date for determining the Stockholders entitled to receive notice of, and to vote at, the Annual Meeting.

STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON.

YOUR VOTE IS IMPORTANT. ACCORDINGLY, YOU ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD PROMPTLY IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. NO POSTAGE IS REQUIRED IF THE PROXY CARD IS MAILED IN THE UNITED STATES. STOCKHOLDERS WHO ARE PRESENT AT THE ANNUAL MEETING MAY WITHDRAW THEIR PROXY AND VOTE IN PERSON IF THEY SO DESIRE. IT IS IMPORTANT THAT YOUR PROXY CARD BE RETURNED PROMPTLY IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION.

By Order of the
Board of Directors

George L. Rose
Secretary

August 22, 2002
Santa Monica, California

3100 Ocean Park Boulevard
Santa Monica, California 90405

PROXY STATEMENT
for the Annual Meeting of Stockholders to be held on September 19, 2002

GENERAL

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board" or "Board of Directors") of Activision, Inc., a Delaware corporation (the "Company"), of proxies from the holders (the "Stockholders") of the Company's issued and outstanding shares of common stock, $.000001 par value per share (the "common stock"), to be used at the Annual Meeting of Stockholders to be held on Thursday, September 19, 2002, at the Peninsula Hotel, 9882 South Santa Monica Blvd., Beverly Hills, California 90212, at 9:00 a.m., local time, and at any adjournment or postponement of such meeting (the "Annual Meeting"), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and enclosed proxy card are first being mailed to the Stockholders of the Company on or about August 22, 2002.

RECORD DATE AND QUORUM

Stockholders of record at the close of business on August 7, 2002 are entitled to notice of, and to vote at, the Annual Meeting. On the record date there are expected to be approximately 66,715,000 shares of common stock of the Company outstanding. Each share of common stock outstanding on the record date is entitled to one vote on each matter presented for action at the Annual Meeting. Shares of common stock were the only voting securities of the Company outstanding on the record date. A majority of the outstanding shares of common stock must be present in person or by proxy at the Annual Meeting in order for a quorum to be present. Abstentions and broker non-votes are included for purposes of determining whether a quorum is present at the Annual Meeting.

REQUIRED VOTES

In the election of directors ("Directors") (Proposal 1), Directors are elected by a plurality of the votes cast at the Annual Meeting. "Plurality" means that the individuals who receive the largest number of votes cast are elected as Directors up to the maximum number of Directors to be chosen at the Meeting. Accordingly, shares not voted (whether by abstention, broker non-vote or otherwise) will have no effect on the voting outcome with respect to the election of Directors. Approval of the Company's 2002 Executive Incentive Plan (Proposal 2), approval of the adoption of the Company's 2002 Employee Stock Purchase Plan (Proposal 3) and ratification of the selection of PricewaterhouseCoopers LLP (Proposal 4) require the affirmative vote of a majority of the votes cast at the Annual Meeting. A broker non-vote will have no effect upon the voting outcome of Proposals 2, 3 and 4; however, an abstention will have the same effect as a vote "AGAINST" Proposals 2, 3 and 4. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

PROXIES

Whether or not you are able to attend the Annual Meeting, you are urged to complete, sign and return your proxy card. The common stock represented by all properly executed proxy cards received by the Company prior to the Annual Meeting, and not revoked, will be voted at the Annual Meeting as directed in the signed proxy. In the event no directions are specified, such proxies shall be voted FOR all of the Proposals and in the best judgment of the proxy holders as to other matters that may properly come before the Annual Meeting. The Company does not know of any other business which may come before the Annual Meeting. Any stockholder may revoke or change its proxy at any time before the proxy is voted at the Annual Meeting by (i) sending another properly executed proxy bearing a later date or a written notice of revocation of the proxy to the Secretary of the Company at the Company's principal executive offices or (ii) voting in person at the Annual Meeting.

COSTS OF PROXY SOLICITATION

The Company will bear the entire cost of this proxy solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the proxy and any additional solicitation materials sent by the Company to Stockholders. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares of common stock for their expenses in forwarding the proxy materials to such beneficial owners. The Company has retained Georgeson Shareholder Communications, Inc. to aid in the solicitation of proxies. Georgeson Shareholder Communications, Inc. will receive a fee of approximately $7,000 as well as reimbursement for certain out of pocket expenses incurred by them in connection with their services, all of which will be paid by the Company. In addition, proxies may also be solicited by Directors, officers and regular employees of the Company, without additional compensation, personally or by telephone.

PROPOSAL 1

ELECTION OF DIRECTORS

Six Directors are to be elected to serve until the Company's next Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. Except where otherwise instructed, proxies solicited by this Proxy Statement will be voted for the election of each of the six nominees listed below, all of whom are presently members of the Board. Each nominee has consented to be named in this Proxy Statement and to serve as a Director if elected. However, if any nominee shall become unable to stand for election as a Director at the Annual Meeting, an event not now anticipated by the Board, the proxy will be voted for a substitute designated by the Board or, if no substitute is selected by the Board prior to or at the Annual Meeting, for a motion to reduce the membership of the Board to the number of nominees available. All Directors serve for one year terms. There is no family relationship between any nominee and any other nominee or executive officer ("Executive Officer") of the Company.

Directors/Nominees

The names of the nominees, and certain information about them (including their terms of service), are set forth below:

Name of Nominee	Age	Principal Occupation	Director Since
Robert A. Kotick	39	Chairman and Chief Executive Officer of the Company	1991
Brian G. Kelly	39	Co-Chairman of the Company	1995
Kenneth L. Henderson (1)(3)	47	Partner, Bryan Cave Robinson Silverman	2001
Barbara S. Isgur (1)(2)	60	Consultant	1991
Steven T. Mayer (1)(2)	57	Consultant	1991
Robert J. Morgado (2)(3)	59	Chairman, Maroley Media Group	1997

(1) Member of the Audit Committee. (2) Member of the Compensation Committee. (3) Member of the Nominating Committee.

Mr. Kotick has been a Director of the Company since February 1991. He has served as Chairman and Chief Executive Officer of the Company since February 1991. Mr. Kotick has been a member of the board of directors of Macromedia, Inc., an information technology supplier based in San Francisco, since April 25, 2002.

Mr. Kelly has been a Director of the Company since July 1995. He has served as Co-Chairman of the Company since October 1998. He previously served as President of the Company from July 1997 to October 1998 and Chief Operating Officer of the Company from July 1995 to October 1998. He also served as Chief Financial Officer of the Company from February 1991 until July 1997 and Secretary of the Company from May 1991 until October 1997. Mr. Kelly served as Vice President Finance of International Consumer Technologies Corporation ("ICT") from December 1990 to January 1995 and as a director of ICT from February 1994 to January 1995. In January 1995, ICT was merged with and into a subsidiary of the Company. Mr. Kelly holds a law degree from Fordham Law School and a B.A. degree in accounting from Rutgers University, and is a certified public accountant.

Mr. Henderson has been a Director of the Company since July 2001. From 1987 until July 1, 2002, Mr. Henderson was a partner in the New York City law firm of Robinson Silverman Pearce Aronsohn & Berman LLP, serving as Vice Chairman of the firm from 2000 through 2002. As a result of the merger of Robinson Silverman with the international law firm of Bryan Cave LLP effective July 1, 2002, Mr. Henderson became a partner of Bryan Cave LLP and serves on the firm's Executive Committee. Robinson Silverman provided legal services to the Company during the last fiscal year, and the combined Bryan Cave Robinson Silverman continues to provide legal services to the Company. Mr. Henderson graduated cum laude from New York University School of Law in 1979, where he was a Root-Tilden Scholar and was elected to Order of the Coif. He received a B.A. with high honors from Auburn University in 1976. Mr. Henderson is the Chairman of the board of directors of Population Communications International, Inc., a New York based international not-for-profit corporation of which he has been a director since 1994.

Ms. Isgur has been a Director of the Company since February 1991 and serves as chairperson of the Audit Committee. From 1993 until 1998, she was a Senior Vice President of Stratagem, an investment banking firm specializing in the software industry. Ms. Isgur also served as President of BSI Consulting from 1990 to 1993. She served as a Vice President of Needham & Co., a high technology investment banking firm, from 1989 to 1990. During 1988, Ms. Isgur served as a Vice President at Manufacturers Hanover Securities. From 1985 to 1988, she was a principal of D.H. Brown Associates. Ms. Isgur was a Vice President and microcomputer industry analyst at Paine Webber, Incorporated from 1981 to 1985.

Mr. Mayer has been a Director of the Company since February 1991. Mr. Mayer is an independent multimedia consultant to a number of corporations. From 1984 until 1992, Mr. Mayer was Chairman of the board of directors of Digital F/X, Incorporated, a manufacturer of video production equipment. Mr. Mayer was a founder of Atari Corporation in 1973, and served as a Division President of Warner Communications-Entertainment Software until 1985, when he left to start Take One Partners, Incorporated, the predecessor to Digital F/X.

Mr. Morgado has been a Director of the Company since February 1997 and serves as chairperson of the Compensation Committee. Mr. Morgado is Chairman of Maroley Media Group, a media entertainment investment company he established in 1995. From 1985 to 1995, he was the Chairman and Chief Executive Officer of the Warner Music Group, Inc. Mr. Morgado serves on the board of trustees of the New School for Social Research and is the Chairman of the board of governors of the Mannes College of Music. Mr. Morgado also is Chairman of the board of directors of World Communications, Inc., a position he has held since January 1997; he also has been a member of the board of directors of Nest Entertainment since January 1996.

The Board recommends that you vote FOR the election of each nominee for Director.

BOARD OF DIRECTORS MEETINGS AND COMMITTEES

The Board held 8 meetings and acted 7 times by unanimous written consent during the Company's full fiscal year ended March 31, 2002. In such fiscal year, each incumbent Director attended all of the meetings of the Board and of each committee thereof of which he or she was a member, except that Robert J. Morgado did not attend one meeting of the Board of Directors and Steven T. Mayer did not attend one meeting of the Audit Committee.

The Board has established an Audit Committee, a Compensation Committee and a Nominating Committee.

From April 1, 2001 through July 13, 2001, the Audit Committee was composed of Ms. Isgur, Mr. Mayer and Harold A. Brown. Ms. Isgur serves as chairperson of the Audit Committee. In July 2001, Mr. Brown resigned as a Director of the Company, and Mr. Henderson was elected to fill the vacancy in the Audit Committee created by Mr. Brown's resignation. The primary responsibilities of the Audit Committee are to recommend to the Board the independent public accountants to be engaged by the Company and to review the Company's general policies and procedures with respect to audits and accounting and financial controls, the scope and results of the auditing engagement and the independence of the Company's independent public accountants. The Audit Committee also reviews and passes upon the terms of material related party transactions. All of the members of the Audit Committee are independent directors. The Audit Committee met five times during the fiscal year ended March 31, 2002. See "Audit Committee Report."

During the fiscal year ended March 31, 2002, the Compensation Committee was composed of Ms. Isgur, Mr. Mayer and its chairman, Mr. Morgado. The Compensation Committee reviews and makes recommendations to the Board concerning the Company's executive compensation policy. The Compensation Committee also serves as the committee to administer the Company's 1991 Stock Option and Stock Award Plan, the 1998 Incentive Plan, the 1999 Incentive Plan, the 2001 Incentive Plan, the 2002 Incentive Plan and the 1996 Employee Stock Purchase Plan (collectively, the "Plans"). All members of the Compensation Committee are independent directors. The Compensation Committee met once and acted twelve times by unanimous written consent during the fiscal year ended March 31, 2002. See "Compensation Committee Interlocks and Insider Participation in Compensation Decisions" and "Compensation Committee Report on Executive Compensation."

In July 2002, the Board established a Nominating Committee consisting of Messrs. Morgado and Henderson, both of whom are independent directors. The Nominating Committee will be responsible for evaluating candidates for nomination for election to the Board and for developing and monitoring corporate governance policies.

CERTAIN CORPORATE GOVERNANCE MATTERS

The Company's Board of Directors is composed of four independent directors and two management directors, and independent directors have comprised a majority of the Board for over ten years. The Company complies with existing NASDAQ rules in defining independent directors, and believes that it will continue to be in compliance with the new rules proposals recently announced by the NASDAQ. The Board of Directors has established a regular meeting schedule calling for meetings at least every quarter. At least two of these meetings are to be held in person, and the others may be by conference telephone or other similar equipment. Written Board materials are distributed in advance of meetings as a general rule, and the Board schedules meetings with and presentations from senior level management on a regular basis.

As described elsewhere in this Proxy Statement, the Audit Committee, the Compensation Committee and the Nominating Committee are composed entirely of independent directors, and there are no interrelationships

between the Compensation Committee and boards of directors or committees of other companies. The Board is responsible for determining the composition of the members of these key committees.

The Compensation Committee is responsible, among other things, for determining and evaluating the compensation of Messrs. Kotick, Kelly and Doornink. This is consistent with the latest proposals announced by the NASDAQ. The Board of Directors has also amended all of the Company's current stock option plans to generally prohibit repricing of outstanding stock options and share appreciation rights by the Compensation Committee in its administration of the stock option plans.

Consistent with existing and proposed NASDAQ rules, the Audit Committee has been charged, since its inception over eight years ago, with reviewing and approving related party transactions, approving the engagement of independent auditors and their fees and reviewing internal financial controls with the independent auditors and internal financial personnel. Consistent with recent proposals, the Audit Committee has the authority to engage independent counsel and other advisors. The Audit Committee meets at least quarterly, and each meeting includes a discussion with the independent auditors focusing, among other things, on key accounting principles and internal controls. The Board of Directors is reviewing the latest NASDAQ proposals and the recently enacted Sarbanes-Oxley Act of 2002 and intends to amend the Charter of the Audit Committee promptly to the extent necessary to comply with any new requirements.

The Board of Directors believes it is important for the Company not only to comply with all current regulatory and legislative requirements, but also to adopt and abide by high standards in its governance structure and activities. The Board is currently reviewing the recently enacted Sarbanes-Oxley Act of 2002 as well as the various new proposals announced by the NASDAQ. Consistent with these proposals, the Board is developing a code of conduct and corporate governance guidelines, all of which will be made publicly available when adopted, and has established a Nominating Committee composed of independent directors that will be responsible for corporate governance policy review and implementation.

EXECUTIVE OFFICERS

None of the Executive Officers of the Company are related to each other or to any Director, and each holds office at the pleasure of the Board. As of July 26, 2002, the Executive Officers of the Company were as set forth below.

Executive Officers

Robert A. Kotick, has been a Director of the Company since 1991 and Chairman and Chief Executive Officer of the Company since February 1991. Biographical information regarding Mr. Kotick is set forth under "Directors/Nominees."

Brian G. Kelly, has been a Director of the Company since 1995 and Co-Chairman of the Company since October 1998. Biographical information regarding Mr. Kelly is set forth under "Directors/Nominees."

Ronald Doornink, 48, Chief Executive Officer of Activision Publishing, Inc. ("Activision Publishing"), the Company's only direct operating subsidiary and the holding company for all other active subsidiaries, since March 28, 2002. Mr. Doornink also serves as President of the Company. Mr. Doornink joined Activision from ConAgra Foods, Inc. where, for three years, he served as President of the $700 million Hunt-Wesson snack food division. Prior to this, Mr. Doornink worked at the Procter & Gamble Company for 13 years, serving most recently as Managing Director, Global Strategic Planning for the Paper Sector. Mr. Doornink holds an MBA

degree from Columbia University and an undergraduate degree in economics from the Hogere Economische School of Arnhem in The Netherlands.

William J. Chardavoyne, 50, Executive Vice President and Chief Financial Officer since January 2000. Mr. Chardavoyne has more than 27 years of financial and general management experience with such companies as Movietown.com, MTV Networks and Sony Pictures Entertainment/Columbia TriStar. Mr. Chardavoyne was also a principal at Ernst & Young where he began his career and worked for more than 10 years. He holds a B.B.A. degree in accounting from Hofstra University and is a certified public accountant.

Lawrence Goldberg, 43, Executive Vice President, Worldwide Studios since October 2000. During the prior 7 years, Mr. Goldberg held various senior management positions at the Company, including Chief Corporate Officer, Secretary and General Counsel. Prior to Activision, Mr. Goldberg was an attorney at Rosenfeld, Meyer and Susman from 1986 to 1994, serving as a partner from 1991 to 1994. From 1984 until 1986, Mr. Goldberg was an attorney at O'Melveny & Myers. Mr. Goldberg received his law degree from the University of California at Los Angeles and a B.S. degree in industrial and labor relations from Cornell University.

Daniel J. Hammett, 39, Executive Vice President since October 1998. Since December 1, 1999, Mr. Hammett has also served as President of Activision Value Publishing, Inc. Mr. Hammett joined Activision from Head Games Publishing (acquired by the Company in June 1998) where he served as President and Chief Executive Officer from its inception in 1994. From 1987 to 1994, he served in various executive management capacities with Lasersoft Corp, Caere Corp and Insight Marketing. Mr. Hammett attended California Polytechnic University, San Luis Obispo, California.

George L. Rose, 40, Senior Vice President, General Counsel and Secretary since April 2000. Mr. Rose joined Activision in July 1995 and has held various positions of responsibility within the Business and Legal Affairs Department. Prior to joining Activision, Mr. Rose was in private practice in Los Angeles since 1986 with Manatt, Phelps & Phillips; Christensen, Miller et al.; Korbatov, Rose & Rubenstein; and Katten, Muchin & Zavis. Mr. Rose received his law degree from Harvard Law School and completed his undergraduate education at the University of Michigan.

Michael J. Rowe, 41, Executive Vice President, Human Resources since August 1999. Mr. Rowe joined Activision from Disney Consumer Products where he served as Vice President, Human Resources North America from January 1998 to July 1999, providing leadership to more than 50 human resource professionals. From 1987 to 1997, Mr. Rowe worked at Pepsico, Inc., where he served in various human resources leadership roles including as Vice President of the Taco Bell and Pepsi Cola divisions. Prior to this, Mr. Rowe was employed at General Motors' corporate headquarters. He holds a B.A. in economics from the University of Michigan and a Masters in industrial and labor relations from Cornell University.

Richard A. Steele, 46, President, Activision Distribution since March 1, 2002 and Executive Vice President, International Distribution since June 1999. Previously, Mr. Steele served as Managing Director of the Company's European Distribution Operations from November 1997 until June 1999. From 1985 until November 1997, Mr. Steele was employed by CentreSoft (acquired by the Company in November 1997), most recently as Managing Director. Mr. Steele holds a B.A. degree in English and related literature from the University of York.

Kathy Vrabeck, 39, Executive Vice President, Global Publishing and Brand Management since September 2000. Ms. Vrabeck served as Executive Vice President, Global Brand Management from August 1999 to August 2000. Prior to joining Activision, Ms. Vrabeck was Senior Vice President/General Manager with ConAgra Foods, Inc. where she led a cross-functional business team responsible for $800 million in revenue. Before this, she served in various marketing and sales roles for the Pillsbury Company and also held positions at Quaker Oats Company and Eli Lilly & Company. Ms. Vrabeck received a B.A. from DePauw University and an MBA from Indiana University.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of July 22, 2002, with respect to the beneficial ownership of the Company's common stock by: (i) each stockholder known by the Company to be the beneficial owner of more than 5% of the Company's common stock; (ii) each person who was a Director and each nominee for election as director; (iii) each Executive Officer named in the Summary Compensation Table below; and (iv) all Executive Officers and Directors as a group. Unless otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by him or her.

	Shares Beneficially Owned		
Beneficial Owner	**Number Owned**	**Right to Acquire (1)**	**Percent of Outstanding Shares (2)**
Robert A. Kotick (3)	949,082	2,232,215	4.61%
Brian G. Kelly (4)	307,247	2,087,788	3.48%
Ronald Doornink	15,000	377,500	*
William J. Chardavoyne		60,000	*
Richard A. Steele	151,161	30,000	*
Lawrence Goldberg	2,515	50,373	*
Kathy Vrabeck		60,000	*
Steven T. Mayer, Director	215	2,000	*
Barbara S. Isgur, Director		46,000	*
Robert J. Morgado, Director		90,501	*
Kenneth L. Henderson, Director		8,750	*
All Directors and Executive Officers as a Group (14 persons)	1,425,220	5,091,627	9.08%

*Percent of class less than 1%.

(1) Shares that can be acquired within 60 days through the exercise of options or warrants.

(2) Percent of outstanding shares was computed based on 66,709,175 shares of the Company's common stock outstanding as of July 22, 2002 and, in each individual's case, the number of shares of the Company's common stock issuable upon the exercise of the warrants or options exercisable within 60 days held by such individual, but does not include the number of shares of common stock issuable upon the exercise of any other outstanding Director or employee warrants or options or, in the case of all Directors and Executive Officers as a Group, the number of shares of the Company's common stock issuable upon the exercise of warrants or options exercisable within 60 days held by all such individuals.

(3) Includes 28,111 shares owned directly by Delmonte Investments, L.L.C., of which such individual is a controlling person. Does not include 61,034 options to purchase shares of common stock transferred by Mr. Kotick to an irrevocable trust for the benefit of his minor children with respect to which Mr. Kotick disclaims beneficial ownership. Includes options to purchase 1,189,335 shares of common stock held by 1011 Partners, LLC of which Mr. Kotick and his spouse are the sole members.

(4) Includes 28,111 shares owned directly by Delmonte Investments, L.L.C., of which such individual is a controlling person. Does not include 10,548 shares transferred by Mr. Kelly to an irrevocable trust for the benefit of his minor children with respect to which Mr. Kelly disclaims beneficial ownership.

COMMON SHARE PRICE PERFORMANCE GRAPH

The graph below compares the Company's cumulative total stockholder return on its common stock for the period from March 31, 1997, through March 31, 2002, with the total cumulative return of the NASDAQ Market Index and JP Morgan H&Q Technology Index (previously named Hambrecht & Quist High Technology Index) over the same period.

The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of the Company's common stock.

The graph below shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

DIRECTOR AND EXECUTIVE OFFICER COMPENSATION

COMPENSATION OF DIRECTORS

Each Director who was not an employee of the Company was compensated at the rate of $10,000 per year for his or her regular services as a Director, with an additional $1,000 for each Board meeting attended in person, $750 for each Board meeting attended via conference telephone, $750 for each meeting of a committee of the Board of which such Director is a member attended in person and $500 for each meeting of a committee of the Board of which such Director is a member attended via conference telephone.

COMPENSATION OF EXECUTIVES

The following table sets forth certain information with respect to the annual and long-term compensation for services in all capacities to the Company for the fiscal years ended March 31, 2002, 2001 and 2000, of those persons who were at March 31, 2002 (i) the Chief Executive Officers of the Company and of Activision Publishing, Inc., the Company's operating subsidiary, and (ii) the Company's four other most highly compensated Executive Officers whose salary and bonus exceeded $100,000. The table also includes information with regard to compensation of the Co-Chairman due to his length of service with the Company and senior level position. All such executive officers are collectively referred to as the "Named Executives."

Summary Compensation Table

		Annual Compensation			Long-Term Compensation
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($)**	**Other Compensation ($)**	**Securities Underlying Options (#)(13)**
Robert A. Kotick	2002	495,000		5,034(6)	132,462
Chairman, Chief Executive	2001	424,200		765	1,145,898
Officer and Director	2000	350,000		405	184,004
Brian G. Kelly	2002	495,000		5,017(7)	132,462
Co-Chairman and Director	2001	424,200		525	1,145,898
	2000	350,000		525	184,004
Ronald Doornink	2002	390,000	199,400(2)	3,282(8)	86,325
Chief Executive Officer,	2001	343,500		42,322	227,371
Activision Publishing, Inc.;	2000	315,000		50,504	367,854
President, Activision, Inc.					
William J. Chardavoyne(1)	2002	305,000	108,000(3)	4,461(9)	46,470
Executive Vice President	2001	191,700		2,537	196,523
and Chief Financial Officer					
Richard A. Steele(1)	2002	206,000	325,500	20,598(10)	130,000
President, Activision Distribution and	2001	177,900		17,787	84,171
Executive Vice President,	2000	154,700	15,100	15,466	82,220
International Distribution					
Lawrence Goldberg(1)	2002	330,000	132,700(4)	1,728(11)	47,820
Executive Vice President,	2001	283,700		536	234,820
Worldwide Studios	2000	220,000		487	106,016

Kathy Vrabeck(1)	2002	330,000	133,700(5)	1,554(12)	70,320
Executive Vice President,	2001	260,800		2,308	146,985
Global Publishing and	2000	142,100		406	101,366
Brand Management					

(1) Mr. Steele commenced employment with the Company in June 1999. Mr. Chardavoyne joined the Company in January 2000, serving as a consultant, and commenced employment with the Company in August 2000. Ms. Vrabeck commenced employment with the Company in August 1999.

(2) Does not include cash bonus of $146,250 that Mr. Doornink elected to receive in the form of options. Such options to purchase 26,325 shares are included in the column, "Securities Underlying Options."

(3) Does not include cash bonus of $91,500 that Mr. Chardavoyne elected to receive in the form of options. Such options to purchase 16,470 shares are included in the column, "Securities Underlying Options."

(4) Does not include cash bonus of $99,000 that Mr. Goldberg elected to receive in the form of options. Such options to purchase 17,820 shares are included in the column, "Securities Underlying Options."

(5) Does not include cash bonus of $99,000 that Ms. Vrabeck elected to receive in the form of options. Such options to purchase 17,820 shares are included in the column, "Securities Underlying Options."

(6) Represents the Company's contribution of $464 to Mr. Kotick's 401(k) plan and $4,570 of life insurance premiums paid by the Company for the benefit of Mr. Kotick.

(7) Represents the Company's contribution of $447 to Mr. Kelly's 401(k) plan and $4,570 of life insurance premiums paid by the Company for the benefit of Mr. Kelly.

(8) Represents the Company's contribution of $541 to Mr. Doornink's 401(k) plan and $2,741 of life insurance premiums paid by the Company for the benefit of Mr. Doornink.

(9) Represents $1,770 of life insurance premiums paid by the Company for the benefit of Mr. Chardavoyne and a discount of $2,691 recognized on the purchase of common stock pursuant to the Company's 1996 Employee Stock Purchase Plan.

(10) Represents the Company's contribution of $20,598 to Mr. Steele's retirement plan.

(11) Represents the Company's contribution of $546 to Mr. Goldberg's 401(k) plan and $1,182 of life insurance premiums paid by the Company for the benefit of Mr. Goldberg.

(12) Represents the Company's contribution of $562 to Ms. Vrabeck's 401(k) plan and $992 of life insurance premiums paid by the Company for the benefit of Ms. Vrabeck.

(13) Includes options to purchase common stock granted in lieu of cash bonuses ("Bonus Options"). Bonus Options are included in the Summary Compensation Table in the fiscal year in which they are earned versus the fiscal year in which they are granted. Bonus

Options are typically granted in the fiscal year following the fiscal year on account of which they are earned.

The following table sets forth information regarding individual grants of options to purchase the Company's common stock during the Company's 2002 fiscal year to each of the Named Executives. All such grants were made pursuant to the Plans. In accordance with the rules of the Securities and Exchange Commission ("SEC"), the table sets forth the hypothetical gains or "option spreads" that would exist for the options at the end of their respective ten year terms based on assumed annualized rates of compound stock price appreciation of 5% and 10% from the dates the options were granted to the end of the respective ten year option terms. Actual gains, if any, on option exercises are dependent on the future performance of the Company's common stock. The hypothetical gains shown in this table are not intended to forecast possible future appreciation, if any, of the stock price.

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Rates of Stock Price Appreciation for Option Term of 10 Years(2)			
					5%		10%	
Name	**Securities Underlying Options (#)**	**% of Total Options Granted to Employees In Fiscal Year(1)**	**Exercise Or Base Price ($/Share)**	**Expiration Date**	**Price Per Share**	**Aggregate Value**	**Price Per Share**	**Aggregate Value**
Robert A. Kotick	43,770(3)	1.1%	$ 13.9167	4/4/11	$ 22.67	$ 383,132	$ 36.10	$ 970,963
	44,550(4)	1.1%	16.6667	10/1/11	27.15	467,031	43.23	1,183,395
	175,077(5)	4.3%	13.9167	4/4/11	22.67	1,532,502	36.10	3,883,786
Brian G. Kelly	43,770(3)	1.1%	13.9167	4/4/11	22.67	383,132	36.10	970,963
	44,550(4)	1.1%	16.6667	10/1/11	27.15	467,031	43.23	1,183,395
	175,077(5)	4.3%	13.9167	4/4/11	22.67	1,532,502	36.10	3,883,786
Ronald Doornink	26,325(4)	0.6%	16.6667	10/1/11	27.15	275,973	43.23	699,279
	78,557(3)	1.9%	13.9167	4/4/11	22.67	687,633	36.10	1,742,653
	60,000(8)	1.5%	13.9167	4/4/11	22.67	525,198	36.10	1,330,998
William J. Chardavoyne	30,000(6)	0.7%	13.9167	4/4/11	22.67	262,599	36.10	665,499
	16,470(4)	0.4%	16.6667	10/1/11	27.15	172,660	43.23	437,498
	46,523(3)	1.1%	13.9167	4/4/11	22.67	407,230	36.10	1,032,034
Richard A. Steele	30,000(6)	0.7%	13.9167	4/4/11	22.67	262,599	36.10	665,499
	100,000(7)	2.4%	25.610	2/20/12	41.72	1,611,000	66.43	4,082,000
	27,921(3)	0.7%	13.9167	4/4/11	22.67	244,401	36.10	619,380
Lawrence Goldberg	30,000(6)	0.7%	13.9167	4/4/11	22.67	262,599	36.10	665,499
	17,820(4)	0.4%	16.6667	10/1/11	27.15	186,812	43.23	473,358
	52,230(3)	1.3%	13.9167	4/4/11	22.67	457,185	36.10	1,158,634

Kathy Vrabeck	52,500(6)	1.3%	13.9167	4/4/11	22.67	459,458	36.10	1,164,623
	17,820(4)	0.4%	16.6667	10/1/11	27.15	186,812	43.23	473,358
	51,728(3)	1.3%	13.9167	4/4/11	22.67	452,791	36.10	1,147,498

(1)
Options to purchase an aggregate of approximately 4,109,000 shares of common stock were granted during the fiscal year ended March 31, 2002, and options to purchase approximately 12,863,000 shares of common stock

were outstanding as of March 31, 2002. No share appreciation rights were granted to any of the Named Executives during the last fiscal year.

(2)
Based on 56,705,504 shares of common stock outstanding as of March 31, 2002 and the low bid price as of such date of $29.181 per share, holders of common stock as of such date would realize hypothetical gains over the ten year period comparable to the option terms reflected in the above table of $1,040,489,293, assuming a 5% annualized stock appreciation rate, and $2,637,316,286, assuming a 10% annualized stock appreciation rate.

(3)
Stock options were granted at an exercise price equal to the low bid price of the Company's common stock on April 4, 2001 and were to vest on April 4, 2004, except that if at any time from the grant date through March 31, 2002, the closing sales price of the Company's common stock exceeded $17.58 (post November 2001 stock split) for five consecutive trading days, the stock options would vest on the day immediately following such five consecutive trading days. Such target was achieved and the stock options' vesting was accelerated accordingly.

(4)
Stock options were granted at an exercise price equal to the low bid price of the Company's common stock on October 1, 2001 and vested immediately upon grant.

(5)
Stock options were granted at an exercise price equal to the low bid price of the Company's common stock on April 4, 2001 and vested immediately upon grant.

(6)
Stock options were granted at an exercise price equal to the low bid price of the Company's common stock on April 4, 2001 and were to vest ratably in four equal installments of 25% over a two-year period beginning six months after the date of grant. However, if the Company achieved a specified diluted EPS target during the Company's fiscal year ending March 31, 2002, the stock options scheduled to vest on October 1, 2002 and April 1, 2003 would vest and become exercisable as of the date of the Earnings Release Conference Call for the period ended March 31, 2002. Such target was achieved and the stock options' vesting was accelerated accordingly.

(7)
Stock options were granted at an exercise price equal to the low bid price of the Company's common stock on February 20, 2002 and vest in four equal annual installments commencing on March 1, 2003.

(8)
Stock options were granted at an exercise price equal to the low bid price of the Company's common stock on April 4, 2001 and vest ratably in four equal installments of 25% over a two-year period beginning six months after the date of grant.

The following table sets forth information concerning the exercise of stock options during fiscal year 2002 by each of the Named Executives and the number and value at the fiscal year ended March 31, 2002 of unexercised options held by said individuals.

Aggregated Option Exercises In Last Fiscal Year And Fiscal Year-End Option Values

	Number of Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options at FY-End		Value of Unexercised In-the-Money Options at FY-End(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert A. Kotick	2,105,250	$ 42,792,604	2,679,033	437,511	$ 56,071,459	$ 11,264,464
Brian G. Kelly	2,280,000	46,317,426	2,343,626	437,500	51,701,002	11,264,181
Ronald Doornink	620,566	10,362,005	309,375	266,875	7,136,156	5,961,129
William A. Chardavoyne	107,993	1,456,581		135,000		3,240,449
Richard A. Steele	86,046	1,590,184	7,500	166,562	119,350	1,832,571
Lawrence Goldberg	250,200	3,577,546	82,123	230,750	1,963,033	4,953,459
Kathy Vrabeck	178,923	2,612,552	3,125	158,437	49,729	3,427,583

(1) Market value on the date of exercise, less option exercise price.

(2) Based on the NASDAQ closing sale price of the Company's common stock on March 31, 2002, of $29.83, less the option exercise price.

EQUITY COMPENSATION PLANS

The following table sets forth the aggregate information for the Company's equity compensation plans in effect as of March 31, 2002 (amounts in thousands, except per share amounts):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	4,376	$ 12.71	716
Equity compensation plans not approved by security holders	9,264	$	