ELECTRONIC ARTS INC
Form DEF 14A
June 24, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Electronic Arts Inc.

(Name of Registrant as Specified In Its Charter)

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

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þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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4) Proposed maximum aggregate value of transaction:

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June 24, 2005

DEAR FELLOW STOCKHOLDERS:

You are cordially invited to join us at the 2005 Annual Meeting of Stockholders that will be held at 209 Redwood Shores Parkway, Building 250, in Redwood City, California on July 28, 2005 at 2:00 p.m. At this meeting, we are asking the stockholders to:

Elect nine Directors;

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

Ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2006.

After the meeting, we will report on our performance in the last year and answer your questions. Our products will be on display before and after the meeting.

Enclosed with this proxy statement are your proxy card and voting instructions and our 2005 annual report. We encourage you to conserve natural resources and help us reduce our printing and mailing costs, by **signing up for electronic delivery of our stockholder communications.** For more information, see *Electronic Delivery of Our Stockholder Communications* in the attached proxy statement.

We know that it is not practical for most stockholders to attend the Annual Meeting in person. Whether or not you are able to attend in person, your vote is important. In addition to using the enclosed proxy card to vote your shares, you may also vote your shares via the Internet or a toll-free telephone number. Instructions for using these services are provided on your proxy card.

I look forward to seeing you at the meeting.

Sincerely,

Lawrence F. Probst III

Chairman and Chief Executive Officer

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE STRONGLY ENCOURAGE YOU TO DESIGNATE THE PROXIES SHOWN ON THE ENCLOSED CARD SO THAT YOUR SHARES WILL BE REPRESENTED AT THE ANNUAL MEETING.

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Notice of 2005 Annual Meeting of Stockholders

DATE: July 28, 2005

TIME: 2:00 p.m.

PLACE: ELECTRONIC ARTS HEADQUARTERS
Milestone Auditorium
209 Redwood Shores Parkway, Building 250
Redwood City, CA 94065

MATTERS TO BE VOTED UPON:

1. The election of nine Directors to hold office for a one-year term;

2. Amendments to the 2000 Equity Incentive Plan to (a) increase the number of shares authorized by 10 million, (b) authorize the issuance of awards of stock appreciation rights, (c) increase by 1 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan, (d) modify the payment alternatives under the Equity Plan, (e) add flexibility to grant performance-based stock options and stock appreciation rights and modify the permissible performance factors currently contained in the Equity Plan, and (f) revise the share-counting methodology used in the Equity Plan;

3. An amendment to the 2000 Employee Stock Purchase Plan to increase by 1,500,000 the number of shares of common stock reserved for issuance under the Purchase Plan;

4. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2006; and

5. 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.

Stockholders of record at the close of business on June 6, 2005 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 2005 Annual Meeting of Stockholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The Board has set June 6, 2005 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 305,980,494 shares of common stock outstanding on the record date.

Voting materials, which include the proxy statement, proxy card and our 2005 annual report, were first mailed to stockholders on or about June 24, 2005.

In this proxy statement:

EA , we 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 2006 , fiscal 2005 , fiscal 2004 , fiscal 2003 and fiscal 2002 refer to EA s fiscal years ending or ended case may be) on March 31, 2006, 2005, 2004, 2003 and 2002, respectively.

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

Unless otherwise noted, all share and per-share information has been adjusted to reflect the November 2003 two-for-one split of our common stock.

HOW TO VOTE YOUR SHARES

We are pleased to offer you three options for designating the proxies and indicating your voting preferences:

(1) You may complete, sign, date and return by mail the enclosed proxy card;

(2) You may follow the instructions found on the proxy card and vote by telephone; or

(3) You may follow the instructions found on the proxy card and vote via the Internet.

If you choose to vote via telephone or the Internet, you will have a PIN number assigned to you on the proxy card that you will use to safeguard your vote.

ELECTRONIC DELIVERY OF OUR STOCKHOLDER COMMUNICATIONS

If you are a beneficial holder or your shares are held in street name (your shares are held by a brokerage firm, a bank or a trustee) and you received your annual meeting materials by mail, we encourage you to conserve natural resources and help reduce our printing and mailing costs, by signing up to receive future stockholder communications via e-mail. With electronic delivery, you will be notified via e-mail as soon as EA s next annual report and proxy statement are available on the Internet, and you can easily submit your stockholder votes online. Electronic delivery can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, please visit *www.icsdelivery.com/erts* to enroll.

Your electronic delivery enrollment will be effective until you cancel it. If you have questions about electronic delivery, please contact our Investor Relations department at 650-628-7352.

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COMMONLY ASKED QUESTIONS AND ANSWERS

Why am I receiving this proxy statement and proxy card?

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. You are invited to attend the Annual Meeting to vote on the proposals, but you do not need to attend in person in order to vote. You may instead follow the instructions below to vote by mail using the enclosed proxy card, or to vote by telephone or over the Internet. By doing so, you are giving a proxy appointing Lawrence F. Probst III and Warren C. Jenson to vote your shares at the meeting as you have instructed. If a proposal comes up for vote at the meeting that is not on the proxy card, or if you do not indicate an instruction, Mr. Probst and Mr. Jenson will vote your shares according to their best judgment. Even if you currently plan to attend the meeting, it is a good idea to complete and return your proxy card, or vote by telephone or on the Internet, before the meeting date just in case your plans change.

Who can vote at the Annual Meeting?

Stockholders who owned common stock on June 6, 2005 may attend and vote at the Annual Meeting. Each share of common stock is entitled to one vote. There were 305,980,494 shares of common stock outstanding on June 6, 2005.

What am I voting on?

We are asking you to:

Elect nine Directors;

Approve amendments to the 2000 Equity Incentive Plan to (a) increase the number of shares authorized by 10 million, (b) authorize the issuance of awards of stock appreciation rights, (c) increase by 1 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan from 3 million to 4 million shares, (d) modify the payment alternatives under the Equity Plan, (e) add flexibility to grant performance-based stock options and stock appreciation rights and modify the permissible performance factors currently contained in the Equity Plan, and (f) revise the share-counting methodology used in the Equity Plan;

Approve an amendment to the 2000 Employee Stock Purchase Plan to increase by 1,500,000 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 2006.

How do I vote?

You may vote by mail

Complete, date, sign and mail the enclosed proxy card in the postage pre-paid envelope provided. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

If you do not mark your voting instructions on the proxy card, your shares will be voted:

for *the election of nine Directors;*

for *the amendments to the 2000 Equity Incentive Plan;*

for *the amendment to the 2000 Employee Stock Purchase Plan; and*

for *ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2006.*

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You may vote by telephone

You may do this by following the Vote by Telephone instructions on your proxy card. If you vote by telephone, you do not have to mail in your proxy card.

You may vote on the Internet

You may do this by following the Vote by Internet instructions on your proxy card. If you vote by Internet, you do not have to mail in your proxy card. The law of Delaware, where we are incorporated, allows a proxy to be sent electronically, so long as it includes or is accompanied by information that lets the inspector of elections determine it has been authorized by the stockholder.

You may vote in person at the meeting

You may complete the ballot we will pass out to any stockholder who wants to vote at the meeting. However, if you hold your shares in street name, you must obtain a proxy from the institution that holds your shares in order to vote at the meeting.

What does it mean if I receive more than one 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 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 Meeting), or

Signing another proxy with a later date, or

Voting by telephone or on the Internet at a later date (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?

An employee of Wells Fargo Shareowner Services 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 6, 2005 must be present or represented by proxies at the meeting. On this date a total of 305,980,494 shares of common stock were outstanding and entitled to vote. Shares representing a majority, or 152,990,248 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 properly submitted a proxy card or voted via telephone or the Internet.

Will my shares be voted if I do not sign and return my proxy card?

If your shares are registered in your name, they will not be voted unless you submit your proxy card, vote by telephone or on the Internet or vote in person at the meeting.

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How will my shares be voted if they are held in street name ?

If your shares are held in street name , you should have received voting instructions with these materials from your broker or other nominee. We urge you to instruct your broker or other nominee how to vote your shares by following those instructions. If you do not give your broker or nominee instructions as to how to vote your shares, they may be voted only on matters for which the broker or nominee has discretionary authority under applicable rules. These broker non-votes will be counted for purposes of determining whether a quorum is present but will not be counted for any purpose with respect to Proposals 2 and 3.

How are votes counted?

In the election of Directors, you may vote either for each nominee or withhold your vote. You may vote for , against or abstain on each of the other proposals. Abstentions, although counted for purposes of determining whether a quorum is present, will not be counted for any other purpose with respect to Proposals 2, 3 and 4.

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 other proposal.

How many votes must the nominees have to be elected as Directors?

The nine nominees receiving the highest number of for votes will be elected as Directors. This number is called a plurality.

What happens if one or more of the nominees is unable to stand for re-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, Lawrence F. Probst III and Warren C. Jenson shall have the discretion to vote your shares for a substitute nominee. They cannot vote for more than nine nominees.

How many votes are required to pass the amendments to the 2000 Equity Plan and 2000 Purchase Plan, and to ratify the Company s selection of auditors?

The Equity Plan and Purchase Plan amendments and the ratification of auditors must receive a for vote of a majority of the voting shares present at the meeting in person or by proxy and voting on these proposals.

Where do I find the voting results of the meeting?

We will announce preliminary voting results at the meeting. We will publish the final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2006. We will file that report with the Securities and Exchange Commission, and you can request a copy 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*.

Why are you amending the Equity Plan?

First, we are amending the Equity Plan to increase, by 10 million, the number of shares available for issuance. We want to ensure that the Equity Plan includes enough shares for employees, officers and Directors to be appropriately compensated under the Equity Plan going forward. We believe it is essential to be able to grant equity incentives to new and existing employees, officers and Directors in order to recruit, retain and motivate key talent and to drive our performance.

Second, we are amending the Equity Plan to authorize the issuance of awards of stock appreciation rights in addition to awards of stock options, restricted stock and restricted stock units. We believe that our ability to employ different forms of equity incentives is important, and stock appreciation rights provide an additional method of providing equity incentives to our employees.

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Third, we are amending the Equity Plan to increase by 1 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units from 3 million to 4 million shares.

Fourth, we are amending the Equity Plan to modify the payment alternatives available upon exercise of awards granted under the Equity Plan to (a) prohibit the use of loans from or guaranteed by EA to pay for shares, and (b) provide a net settlement mechanism that could, in the future, enable us to reduce dilution by issuing fewer shares upon the exercise of stock options while still providing for the same economic benefit to the option holder.

Fifth, we are amending the Equity Plan to add flexibility to grant performance-based options and stock appreciation rights and to revise the permissible performance factors used in connection with performance-based awards to more accurately reflect the nature of our business.

Sixth, we are amending the Equity Plan to revise the share-counting methodology used to determine the number of shares available for issuance. The amendments would clarify that the following types of shares would not be available for future issuance as awards under the Equity Plan: (a) shares that are not issued or delivered as a result of the net settlement of a stock option or stock appreciation right award; (b) shares that are used to pay the exercise price or withholding taxes related to an award granted under the Equity Plan; and (c) shares that are repurchased by us with the proceeds of a stock option exercise.

Why are you amending the Purchase Plan?

We are amending the Purchase Plan to increase the number of shares available for issuance. The Purchase Plan enables our employees to purchase of our common stock through payroll deductions and provides continuing opportunities for our employees to become stockholders. It also provides an incentive for continued employment. Since the adoption of the Purchase Plan, we have experienced both significant growth in the number of employees, as well an increase in the percentage of employees, who elect to participate in the Purchase Plan. We estimate that an additional 1,500,000 shares available for issuance under the Purchase Plan will permit all current and potential future employees to fully participate in the Purchase Plan through at least fiscal 2006, our current fiscal year.

Who will pay for this proxy solicitation?

We have retained Georgeson & Company Inc. to solicit proxies from stockholders at an estimated fee of $7,500 plus expenses and we will pay these costs. This fee does not include our costs of printing and mailing the proxy statements and annual reports. Some of our officers and other agents may also solicit proxies personally, by telephone and by mail, and we will pay these costs as well. 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?

You may call Wells Fargo Shareowner Services at 1-800-468-9716 or visit their web site at *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 nine 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.

Vivek Paul, who was appointed as a Director on June 15, 2005, is standing for election to our Board of Directors for the first time. Mr. Paul was referred as a potential candidate for Director to our Nominating and Governance Committee by an external, independent recruiting firm. At the time of Mr. Paul s appointment, the authorized size of our Board was temporarily increased from nine to ten Directors. In May 2005, William J. Byron announced his retirement from the Board, effective as of the commencement of the 2005 Annual Meeting, and therefore will not be standing for re-election. Accordingly, immediately upon Mr. Byron s retirement at the commencement of the 2005 Annual Meeting, the authorized size of our Board will be reduced back to nine Directors.

The Board has nominated the following Directors to stand for re-election this year:

M. Richard Asher

Leonard S. Coleman

Gary M. Kusin

Gregory B. Maffei

Timothy Mott

Robert W. Pittman

Lawrence F. Probst III

Linda J. Srere

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

Vivek Paul

Required Vote and Board of Directors Recommendation

The nine nominees receiving the highest number of for votes will be elected as Directors. Shares represented by your proxy will be voted for the election of the nine nominees recommended by EA s management unless you mark your proxy to withhold authority to so vote.

The Board recommends a vote FOR each of the nominees.

Director Biographies

Each of the following Directors, other than Mr. Byron, have been nominated for election or re-election at the 2005 Annual Meeting.

M. Richard Asher

Director since 1984

Mr. Asher, age 73, is presently an attorney, a consultant, and an affiliate professor with Florida Atlantic University. He was a senior executive officer and CEO in the music and record business with CBS, Warner Brothers and PolyGram Records for over 25 years. Mr. Asher is a director of several private companies and previously served as a director for a number of public companies.

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William J. Byron
Director since 1989; retiring in July 2005
Mr. Byron, age 72, is currently self-employed. Previously, Mr. Byron was President of Sanyo Electric Consumer Products Division, and Vice Chairman of the Sanyo Fisher Corporation. On May 12, 2005, Mr. Byron declared his intention to retire from the Board of Directors, effective as of the 2005 Annual Meeting.
Leonard S. Coleman
Director since 2001
Mr. Coleman, age 56, has been Senior Advisor to Major League Baseball since November 1999 and, from 2001 to 2002, Mr. Coleman 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: Cendant Corporation; The Omnicom Group; H.J. Heinz Company; Churchill Downs; and Aramark. Mr. Coleman is also a director of several not-for-profit organizations, including the Jackie Robinson Foundation of which he is the Chairman.
Gary M. Kusin
Director since 1995
Mr. Kusin, age 54, is currently President and Chief Executive Officer of Fedex Kinko s Office and Print Services, an operating division of Fedex, Inc. 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. Mr. Kusin also serves on the Board of Directors of Radio Shack. In April 2002, HQ Global filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code and subsequently emerged from bankruptcy in October 2003. Prior to September 1998, Mr. Kusin was co-founder and Chairman of Kusin Gurwitch Cosmetics, LLC and co-founder and President of Babbages, Inc.
Gregory B. Maffei
Director since 2003
Mr. Maffei, age 45, has been Chief Executive Officer of 360networks Corporation, a broadband telecom service provider, since 2000 and became Chairman in 2002. Previously, Mr. Maffei was Senior Vice President, Finance and Administration and CFO of Microsoft Corporation from 1997 to 2000. He joined Microsoft in 1993 and also served as Treasurer and Vice President, Corporate Development. Mr. Maffei also served as Chairman of Expedia, Inc. from 1999 to 2002. Mr. Maffei serves on the Board of Directors of Starbucks Coffee and is President of the Trustees of the Seattle Public Library.
Timothy Mott
Director since 1990
Mr. Mott, age 56, has been Chairman of All Covered, a nationwide information technology outsourcing company focused on small and mid-size businesses, since June 2000 and was Chief Executive Officer from November 2001 to February 2004. At various times prior to 1999, Mr. Mott co-founded and was Chairman of Audible Inc., co-founded and was Chief Executive Officer and Chairman of Macromedia Inc., co-founded and was Senior Vice President of Electronic Arts, and was a member of the research staff at Xerox PARC.
Vivek Paul
Director since 2005
Mr. Paul, age 46, has been the 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, since July 1999. 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.

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Robert W. Pittman
Director since 2003
Mr. Pittman, age 51, was appointed as a Director by EA s Board of Directors effective November 1, 2003. Mr. Pittman has been a member of and an investor in, respectively, Pilot Group Manager LLC and Pilot Group LP, a private investment firm, since April 2003. Mr. Pittman was formerly Chief Operating Officer of AOL Time Warner, Inc. from May 2002 to July 2002. He also served as Co-Chief Operating Officer of AOL Time Warner from January 2001 to May 2002, and, earlier, as President and Chief Operating Officer of America Online, Inc. from February 1998 to January 2001. Mr. Pittman serves on the Board of Directors of Cendant Corporation and the boards of numerous charitable organizations.
Lawrence F. Probst III
Director since 1991
Mr. Probst, age 55, has been employed by EA since 1984. He has served as Chairman of the Board since July 1994, and Chief Executive Officer since May 1991. Previously Mr. Probst served as President from 1991 until 1998 and Senior Vice President of EA Distribution from 1987 to 1991.
Linda J. Srere
Director since 2001
Ms. Srere, age 49, 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 aQuantive, Inc., a digital marketing services and technology company, and Universal Technical Institute, Inc., a technical education provider.

BOARD, BOARD MEETINGS, AND COMMITTEES

Our Board of Directors currently consists of ten Directors. Immediately upon Mr. Byron s retirement at the commencement of the 2005 Annual Meeting, however, the authorized number of Directors will be reduced to nine. The Board has determined that all of our current Directors, other than Mr. Probst, are independent as that term is used in the Nasdaq Marketplace Rules.
The Board meets on a fixed schedule four times each year and also occasionally holds special meetings and acts by written consent. 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 and serving a two-year term, 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. Our current Lead Director is Linda Srere, who has been elected to serve in this capacity until our 2006 Annual Meeting of Stockholders.
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 February 2003, and adopted the charters of the Compensation Committee and the Nominating and Governance Committee in February and May 2003, respectively. 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 2005, each Director (other than Mr. Paul, who had not yet become a Director) participated in at least 75% of all

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Board meetings and Committee meetings held during the period for which he or she was a member. As of June 1, 2005, the Committee members were as follows:

Audit	Gregory B. Maffei (Chair), Gary M. Kusin and M. Richard Asher
Compensation	M. Richard Asher (Chair), William J. Byron and Robert W. Pittman
Nominating and Governance	Linda J. Srere (Chair), Timothy Mott and Leonard S. Coleman

The Board has selected Ms. Srere to replace Mr. Byron as a member of the Compensation Committee following Mr. Byron s retirement from the Board.

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 meets the criteria for an audit committee financial expert as set forth in applicable SEC rules. The Audit Committee met thirteen times in fiscal 2005. For further information about the Audit Committee, please see the *Report of the Audit Committee* below.

Compensation Committee

The Compensation Committee is responsible for setting the overall compensation strategy for the Company, for determining the compensation of the CEO 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 seven times in fiscal 2005 and also acts regularly by written consent. For further information about the Compensation Committee, please see the *Report of the Compensation Committee* 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, 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. In May 2004, the Nominating and Governance Committee recommended, and the Board of Directors adopted, a formal set of corporate governance guidelines, available in the Investor Relations section of our website, *http://investor.ea.com*. The Nominating and Governance Committee met four times in fiscal 2005.

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 ACTION values (as set forth in EA s Global Code of Conduct);

- 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;

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.

In situations where the Nominating and Governance Committee 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 Committee will commence a search for new Director nominees. While the Nominating and Governance Committee may, in its discretion, use a variety of means to identify potential nominees for Director, it will generally direct EA s senior executive officer in charge of human resources to develop a list of potential nominees meeting the Board s general membership criteria discussed above. The Nominating and Governance Committee may also use third-party resources, including qualified search firms. EA has in the past engaged, and may continue in the future to engage, third-party search firms to assist with the identification and evaluation of potential candidates for Director. The Nominating and Governance Committee may 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 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 28, 2006 for our 2006 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

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proposed candidate would be considered an independent director under applicable Nasdaq Marketplace 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.

Corporate Governance Guidelines

Our Board of Directors adopted, upon the recommendation of the Nominating and Governance Committee, a formal set of Corporate Governance Guidelines in May 2004. A complete copy of the Corporate Governance Guidelines are 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;

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.* We will 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

Our Directors are expected to make every effort to attend our annual meeting of stockholders. All Directors who were then members of the Board attended our 2004 Annual Meeting of Stockholders.

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. 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.*

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DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Mr. Probst, the Company s Chief Executive Officer, is not paid additional compensation for his services as a Director. During fiscal 2005, our non-employee Directors (other than Mr. Paul who had not yet become a Director and did not receive any compensation from us) received the following compensation:

Cash Compensation

$35,000 annual retainer for service on the Board of Directors;

$7,500 annual retainer for service on the Compensation or Nominating and Governance Committees;

$2,500 additional annual retainer for service as Chair of the Compensation or Nominating and Governance Committees;

$10,000 annual retainer for service on the Audit Committee;

$5,000 additional annual retainer for service as Chair of the Audit Committee; and

$1,000 per day, with the approval of the Board of Directors, to individual 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).

Stock Compensation

Upon their initial appointment or election to the Board, new Directors receive an option grant to purchase 25,000 shares issued under the 2000 Equity Incentive Plan. Each continuing Director receives an annual option grant to purchase 10,000 shares upon his or her re-election to the Board. In fiscal 2005, annual option grants to purchase 10,000 shares of common stock were made under the Equity Plan to each of the non-employee Directors who was re-elected at the 2004 Annual Meeting of Stockholders, other than Mr. Pittman. Because Mr. Pittman had been appointed to the Board on November 1, 2003, the number of shares subject to his option was pro-rated to 7,500 shares. These options were granted on July 29, 2004, the date of the Directors re-election to the Board, at an exercise price of $50.32 per share.

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.

The material terms regarding the exercise price of options, vesting, changes in capital structure, assumption of options and acceleration of vesting and prohibitions on repricing under the Equity Plan are contained in Appendix A to this proxy statement.

Stock Ownership Guidelines

Each non-employee Director is required, within three years of becoming a Director, to own shares of EA common stock having a value of at least 3 years annual retainer for service on the Board. As of June 1, 2005, each of our Directors had fulfilled their ownership requirements.

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PROPOSAL 2. 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, 57,400,000 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 Securities and Exchange Commission along with this proxy statement. For more information regarding the Equity Plan, we urge you to read a summary of its material terms, as proposed to be amended, included as Appendix A of this proxy statement, as well as the copy of the Equity Plan, as proposed to be amended, that we filed with the Securities and Exchange Commission along with 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 10,000,000 shares to a total of 67,400,000 shares. We continue to 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. We also believe that delivering a portion of their total compensation in the form of long-term equity compensation helps encourage a long-term view in an industry that is subject to lengthy business cycles. Stock options 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.

Having said this, we also recognize our responsibility to keep the dilutive impact of stock options and other equity incentives within a reasonable range. For example, we decreased the size of option grants we made to our executive officers in fiscal 2004 and, following the two-for-one split of our common stock in November 2003, we did not increase our broad-based stock option award guidelines to reflect the split. During fiscal 2005, a year in which our employee base grew by approximately 1,350 people, we carefully managed stock option issuances, granting options to purchase a total of 8,962,290 shares (excluding 128,418 shares underlying options we assumed in connection with our acquisition of Criterion Software), or approximately 3% of our total shares outstanding. During fiscal 2005, fiscal 2004 and fiscal 2003, we granted stock options at an average annual rate of approximately 3.6% of total shares outstanding.

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

In an effort to further align the interests of our Directors, executive officers and stockholders, we have implemented minimum stock ownership requirements for our Directors and executive officers.

Going forward, we intend to continue to responsibly manage issuances of equity incentive awards under the Equity Plan. We also will continue our comprehensive review and analysis of our compensation programs overall to ensure their continued effectiveness and to prepare for the likelihood of mandatory stock option expensing.

Authorize the issuance of awards of stock appreciation rights in addition to awards of stock options, restricted stock and restricted stock units. We believe that our ability to employ different forms of equity incentives is important, and stock appreciation rights provide additional and alternative methods of providing equity incentives

to our employees.

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Increase by 1 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan from 3 million to 4 million shares. In May 2005, we began granting restricted stock units to certain of our U.S.-based employees. In the future, we expect restricted stock and/or restricted stock units to become a more prevalent form of equity incentive compensation that we offer our non-executive employees worldwide. We believe it is important that the Equity Plan be amended to allow us to issue an adequate number of restricted stock and restricted stock units to attract, retain and motivate eligible employees.

Modify the payment alternatives under the Equity Plan to:

(a) Eliminate the ability of participants to pay for shares issued under the Equity Plan by means of a loan from or guaranteed by EA. Although, as a matter of policy, we do not allow participants to pay for shares issued under the Equity Plan through a loan from or guaranteed by us, the Equity Plan currently provides us with the ability to do so. As we have no intention of allowing participants to pay for shares through a loan from or guaranteed by us, we believe that it would be appropriate to amend the Plan to reflect both our current practices and intentions for the future.

(b) Provide us with the flexibility to grant stock options that include a net settlement mechanism that could, in the future, enable us to reduce dilution by issuing fewer shares upon the exercise of stock options while still providing for the same economic benefit to the option holder. Using a net settlement mechanism, a participant who wished to receive all cash proceeds upon the exercise of their stock option would be able to realize the full value of their stock option while at the same time allowing us to reduce the total number of shares we would be required to issue upon exercise. Currently under the Equity Plan, a person who wishes to receive cash proceeds upon the exercise of their stock option must instruct their broker to sell the entire number of shares underlying the stock option and use the proceeds to pay the exercise price and applicable withholding taxes. Thus, under the current provisions of the Equity Plan, if a person had a stock option to purchase 100 shares of common stock at a $30 per share exercise price, and the fair market value of one share were $50 at the time of exercise, we would issue 100 shares of common stock and, assuming the person sold such shares on the open market immediately after receiving them, the person would realize cash proceeds of $2,000 less applicable withholding taxes and brokerage fees *($50 fair market value per share at the time of exercise minus the $30 per share exercise price multiplied by 100 shares)*. By contrast, if the stock option contained a net settlement mechanism, we would only need to issue 40 shares of common stock less shares equal to the value of applicable holding taxes and brokerage fees, if any, to satisfy the award, which could be immediately sold to realize the same $2,000 gain less applicable withholding taxes and brokerage fees *($50 fair market value per share multiplied by 40 shares).*

Although we have no current plans to issue stock options with a net settlement feature (primarily due to their uncertain tax treatment and the difficulty encountered by brokerage firms in implementing real time settlement processes), we believe it is important to amend the Equity Plan to provide the flexibility to grant such stock options in the future in the event circumstances change.

Add flexibility to grant performance-based stock options and stock appreciation rights under the Equity Plan and modify the performance factors currently contained in the Equity Plan to more closely reflect the metrics we use in evaluating the success of our business. We may, in the future, elect to grant awards under the Equity Plan that are tied to the achievement of one or more performance-based factors. We believe that granting performance-based awards would be consistent with our pay-for-performance philosophy, and would serve to further align our employees interests with those of our stockholders. In addition, granting performance-based awards could potentially allow us to deduct under Section 162(m) of the Internal Revenue Code performance-based compensation in excess of $1 million paid to certain of our executive officers. While the Equity Plan currently permits us to grant restricted stock and restricted stock units subject to the achievement of one or more performance-based factors, the amendments would allow us to subject stock options and stock

appreciation rights to performance-based factors as well. If approved, the Equity Plan would be revised to permit the Compensation Committee to grant performance-based awards subject to one or more of the following

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permissible performance factors, to be measured over a specified performance period (that may be as short as a calendar quarter or as long as five years) or 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) net revenue; (b) earnings before interest, income taxes, depreciation and amortization; (c) operating income; (d) operating margin; (e) net income; (f) earnings per share; (g) total stockholder return; (h) the Company s stock price; (i) growth in stockholder value relative to a pre-determined index; (j) return on equity; (k) return on invested capital; (l) operating cash flow; (m) free cash flow; (n) economic value added; and (o) individual confidential business objectives. In addition, the Committee would, in its sole discretion, have the ability, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, to 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.

Revise and clarify our share-counting methodology. The amendments would make clear that the following types of shares would *not* be available for future issuance as awards under the Equity Plan: (a) shares that are not issued or delivered as a result of the net settlement of a stock option or stock appreciation right; (b) shares that are used to pay the exercise price or withholding taxes related to an award granted under the Equity Plan; and (c) shares that are repurchased by us with the proceeds of a stock option exercise.

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.

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

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PROPOSAL 3. 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, 3,800,000 shares of common stock have been reserved for issuance under the Purchase Plan.

Since the adoption of the Purchase Plan, we have experienced significant growth in the number of employees as well in the number of employees who elect to participate in the Purchase Plan. In addition, in February 2003, we terminated our International Employee Stock Purchase Plan, and have since allowed our international employees to participate in the Purchase Plan. The following table presents information since the beginning of fiscal 2002 relating to the aggregate number of shares purchased under the Purchase Plan and the International Purchase Plan, as well as the number of employees who have participated in such plans:

	Shares Purchased Pursuant to 2000 Purchase Plan	Shares Purchased Pursuant to International Purchase Plan[1]	Total Shares Purchased	No. of Employees Participating as of the Last Purchase Date in Fiscal Year
Fiscal 2002	421,542	204,938	626,480	2,217
Fiscal 2003	440,528	257,368	697,896	2,418
Fiscal 2004	866,541		866,541	2,933
Fiscal 2005	623,693		623,693	3,615
Fiscal 2006	[2]		[2]	4,013[3]

(1) The International Employee Stock Purchase Plan was terminated in February 2003.

(2) Fiscal 2006 purchases under the 2000 Purchase Plan will be made in August 2005 and February 2006.

(3) Represents number of participants in the 2000 Purchase Plan as of May 31, 2005. 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 2006, the last purchase date in fiscal 2006.

The proposed amendment would increase the number of shares authorized under the Purchase Plan by 1,500,000 to a total of 5,300,000, an amount that we expect will permit all current and potential future employees to fully participate in the Purchase Plan for at least fiscal 2006.

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 on this proposal.

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

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PROPOSAL 4. 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 registered public accounting firm (independent auditors) for fiscal 2006. 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. Representatives of KPMG LLP will attend the meeting in order to respond to appropriate questions from stockholders, and may 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, 2005	Year Ended March 31, 2004
Audit[1]		
Worldwide audit fee	$ 3,600,000	$ 1,613,000
Accounting concurrence and regulatory matters	169,000	517,000
Total audit fees	3,769,000	2,130,000
Audit-Related Fees[2]		
Benefit plan audit	18,000	18,000
Total audit-related fees	18,000	18,000
Tax[3]		
Compliance	690,000	718,000
Planning	13,000	102,000
Total tax fees	703,000	820,000
All Other Fees[4]		
Total all other fees		
Total All Fees	$ 4,490,000	$ 2,968,000

(1) Audit Fees: This category includes the annual audit of the Company s financial statements and management s assessment of internal control 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 registration statement on Form S-3 filed in January 2003, periodic reports and other documents filed with the SEC and foreign filings, as well as Sarbanes-Oxley Section 404

(Section 404) compliance consultation. The increase in audit fees for fiscal 2005 was primarily due to costs incurred in connection with the audit of management s assessment of internal control over financial reporting, as required by Section 404.

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

(3) Tax Services: This category includes compliance services rendered for US and foreign tax compliance and returns, and transfer pricing consultation, as well as planning and advice which consists primarily of technical tax consulting.

(4) Other: In fiscal years 2004 and 2005, no products or services were provided under this category.

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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 2006.

OTHER BUSINESS

The Board knows of no other business for consideration at the Annual Meeting. If other matters are properly presented at the Annual Meeting, or at any adjournment or postponement of the Annual Meeting, Lawrence F. Probst III and Warren C. Jenson will vote, or otherwise act, in accordance with their judgment on such matters.

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PRINCIPAL STOCKHOLDERS

Common Stock

The following table shows, as of June 1, 2005, the number of shares of our common stock owned by our Directors (other than Mr. Paul, who was appointed to our Board on June 15, 2005, at which time he did not own any shares of our common stock), executive officers named in the Summary Compensation Table below, our Directors and current executive officers as a group, and beneficial owners known to us holding more than 5% of our common stock. As of June 1, 2005, there were 306,511,866 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[1]	Right to Acquire[2]	Percent of Outstanding Shares[3]
Alliance Capital Management[4]	29,347,225		9.6
Wellington Management Company, LLP[5]	26,389,316		8.6
Marsico Capital Management, L.L.C.[6]	19,305,800		6.3
Legg Mason Capital Management, Inc.[7]	18,881,823		6.2
Janus Capital Management LLC[8]	18,713,649		6.1
TCW Asset Management Company[9]	16,663,872		5.4
Lawrence F. Probst III[10]	739,761	3,108,300	1.2
M. Richard Asher	301,977	191,680	*
William J. Byron	153,448	76,880	*
Timothy Mott[11]	118,624	69,840	*
Don A. Mattrick	50,224	415,705	*
Bruce McMillan	18,222	639,359	*
Warren C. Jenson	13,122	286,800	*
Gregory B. Maffei	10,000	37,333	*
Gerhard Florin	6,483	93,198	*
Robert W. Pittman	6,166	28,500	*
Gary M. Kusin	4,574	42,320	*
Leonard S. Coleman, Jr.	3,260	82,085	*
Linda J. Srere	2,428	82,085	*
All executive officers and Directors as a group (20 persons)	1,473,581	6,965,406	2.7

* Less than 1%

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

(2) Represents shares of common stock that may be acquired through stock option exercises within 60 days of June 1, 2005.

(3) Calculated based on the total number of shares owned plus the number of shares that may be acquired through stock option exercises within 60 days of June 1, 2005.

(4) Based on information contained in a report on Schedule 13F filed with the SEC on March 31, 2005. The address for Alliance Capital is 1345 Ave of the Americas, New York, NY 10105.

(5) Based on information contained in a report on Schedule 13F filed with the SEC on March 31, 2005. The address for Wellington Management Co LLP is 75 State Street, Boston, MA 02109.

(6) Based on information contained in a report on Schedule 13F filed with the SEC on March 31, 2005. The address for Marsico Capital Management LLC is 1200 17th Street, Suite 1600, Denver, CO 80202.

(7) Based on information contained in a report on Schedule 13F filed with the SEC on March 31, 2005. The address for Legg Mason, Inc. is 100 Light Street, Baltimore, MD 21202.

(8) Based on information contained in a report on Schedule 13F filed with the SEC on March 31, 2005. The address for Janus Capital Management LLC is 100 Fillmore Street, Suite 300, Denver, CO 80206.

(9) Based on information contained in a report on Schedule 13F filed with the SEC on March 31, 2005. The address for TCW Group Inc. is 865 South Figueroa St., Los Angeles, CA 90017.

(10) Includes 87,886 shares of common stock held by Mr. Probst s grantor s retained annuity trust and 497,562 shares of common stock held by the Probst Family LP, of which Mr. Probst is a partner.

(11) Includes 36,656 shares of common stock held in trust for the benefit of Mr. Mott s son for which Mr. Mott is the trustee.

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STOCK PRICE PERFORMANCE GRAPH

The following information 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 following graph shows a five-year comparison of cumulative total returns during the period from March 31, 2000 through March 31, 2005, for our common stock, the Nasdaq Market Composite Index, the S&P 500 Index (to which EA was added in July 2002), the RDG Technology Index and the S&P Application Software Index (to which EA was added in July 2002), each of which assumes an initial value of $100. Each measurement point is as of the end of each fiscal year ended March 31. The performance of our stock depicted in the following graph is not necessarily indicative of the future performance of our stock.

stock price performance graph

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SUMMARY COMPENSATION TABLE

COMPENSATION OF EXECUTIVE OFFICERS

The table below shows compensation information for our Chief Executive Officer and the next four most highly compensated executive officers earned during our fiscal year ended March 31, 2005. We refer to all of these officers as the Named Executive Officers .

	Annual Compensation				Long-Term Compensation	
Name and Principal Position	Fiscal Year Ended March 31,	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Underlying Options (#)[1]	All Other Compensation ($)
Lawrence F. Probst III	2005	680,012	0		300,000	3,795[3]
Chairman and Chief Executive Officer	2004	663,759	781,000		200,000	9,720[3]
	2003	685,535[2]	1,100,000		800,000	11,810[3]
Don A. Mattrick	2005	674,080	0		200,000	
President, Worldwide Studios	2004	585,607	565,000		160,000	
	2003	606,551[2]	700,000		600,000	
Bruce McMillan[4]	2005	540,924	0		150,000	
Executive Vice President, Worldwide Studios	2004	472,709	371,000		140,000	
Warren C. Jenson	2005	528,198	0	1,565,713[5]	100,000	2,122,991[7]
Executive Vice President, Chief Financial and Administrative Officer	2004	513,087	450,000	71,667[6]	120,000	299,047[8]
	2003	375,775	404,000		1,200,000	661,285[9]
Gerhard Florin[4]	2005	399,860	106,457	26,208[10]	125,000	50,447[11]
Senior Vice President and General Manager, European Publishing	2004	355,510	252,844	22,333[10]	120,000	45,123[11]

(1) Represents options to purchase shares of common stock.

(2) Includes $46,731 paid in fiscal 2003 in connection with a retroactive salary increase covering the period from October 2000 through April 2002.

(3) Represents paid term life insurance premium for the benefit of Mr. Probst of $720 and EA-matching 401(k) contribution of $3,075 in fiscal 2005; paid term life insurance premium for the benefit of Mr. Probst of $720 and EA-matching 401(k) contribution of $9,000 in fiscal 2004; and EA-paid term life insurance premium for the benefit of Mr. Probst of $810 and EA-matching 401(k) contribution of $11,000 in fiscal 2003.

(4) Mr. McMillan and Dr. Florin became executive officers of EA in May 2003 (during our fiscal year ended March 31, 2004).

(5) Represents $1,565,552 of a tax gross-up paid to Mr. Jenson in connection with the forgiveness of the interest-free loan (for more information regarding the loan to Mr. Jenson, see Certain Transactions below), and $161 tax gross-up paid to Mr. Jenson in connection with taxable relocation-related expenses, as discussed in footnote 9 below.

(6) Represents tax gross-up paid to Mr. Jenson in connection with taxable relocation-related expenses, as discussed in footnote 9 below.

(7) Represents $2,000,000 in partial forgiveness of an interest-free loan made by EA to Mr. Jenson in June 2002, $119,196 in imputed interest income on the remaining portion of the interest-free loan (for more information regarding the loan to Mr. Jenson, see Certain Transactions below), paid term life insurance premium for the benefit of Mr. Jenson of $720, and EA-matching 401(k) contribution of $3,075.

(8) Includes $148,800 imputed interest income on an interest-free loan from EA (for more information regarding the loan to Mr. Jenson, see Certain Transactions below), $36,000 temporary housing, $104,527 relocation expenses, $720 paid term life insurance premium, and EA-matching 401(k) contribution of $9,000.

(9) Prior to joining the Company in fiscal 2003, Mr. Jenson received a $500,000 bonus as incentive to accept employment with EA. The amount above also represents $66,633 imputed interest income on an interest-free loan from EA (for more information regarding the loan to Mr. Jenson, see Certain Transactions below), $60,533 temporary housing, $33,309 relocation expenses, and $810 paid term life insurance premiums.

(10) Represents automobile and fuel allowance received by Dr. Florin and for which all senior employees and members of management resident in the UK are generally eligible.

(11) Represents EA contribution to UK pension plan of $45,871, medical and dental insurance premiums of $1,481, and life insurance premiums of $3,095 for fiscal 2005; and EA contribution to UK pension plan of $42,399, medical and dental insurance premiums of $1,474, and life insurance premiums of $1,250 for fiscal 2004.

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STOCK OPTION GRANTS

STOCK OPTION GRANTS

The following table shows stock options granted to the Named Executive Officers during the last fiscal year. In accordance with the rules of the Securities and Exchange Commission, the table sets forth the hypothetical gains that would exist for the options at the end of their respective 10 year terms. This hypothetical gain is 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 their respective ten year option terms. Actual gains, if any, on option exercises are dependent on the future performance of EA s common stock. The hypothetical gains shown in this table are not intended to forecast possible future appreciation, if any, of the stock price.

Options Granted in Fiscal 2005

	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in FY2005 (%)[1]	Exercise Price Per Share[2]	Expiration Date	Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Lawrence F. Probst III	100,000[3]	1.13	$ 64.92	03/01/15	$ 4,082,784	$ 10,346,576
	200,000[4]	2.25	$ 64.92	03/01/15	$ 8,165,568	$ 20,693,152
Don A. Mattrick	75,000[3]	0.84	$ 64.92	03/01/15	$ 3,062,088	$ 7,759,932
	125,000[4]	1.41	$ 64.92	03/01/15	$ 5,103,480	$ 12,933,220
Bruce McMillan	50,000[3]	0.56	$ 64.92	03/01/15	$ 2,041,392	$ 5,173,288
	100,000[4]	1.13	$ 64.92	03/01/15	$ 4,082,784	$ 10,346,576
Warren C. Jenson	100,000[3]	1.13	$ 64.92	03/01/15	$ 4,082,784	$ 10,346,576
Gerhard Florin	50,000[3]	0.56	$ 64.92	03/01/15	$ 2,041,392	$ 5,173,288
	75,000[4]	0.84	$ 64.92	03/01/15	$ 3,062,088	$ 7,759,932

(1) EA granted and/or assumed options to purchase 8,881,515 shares of common stock to all employees (excluding non-employee Directors) in fiscal 2005.

(2) The exercise price is equal to the fair market value on the date of grant.

(3) Options will first vest and become exercisable as to 24% of the shares underlying the option 12 months from date of grant and will then vest in 2% increments on the first calendar day of each month thereafter for 38 months.

(4) Options will first vest and become exercisable as to 25% of the shares underlying the option 24 months from date of grant; 25% of the shares 36 months from date of grant; and 50% of the shares 48 months from date of grant.

All option grants listed above were made pursuant to EA s 2000 Equity Incentive Plan. The material terms regarding the exercise price of options, vesting, change of control, and prohibitions on repricing are contained in Appendix A to this proxy statement.

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OPTIONS EXERCISED

The following table shows stock option exercises and the number and value of unexercised stock options held by the Named Executive Officers during the last fiscal year.

Fiscal 2005 Aggregated Option Exercises and March 31, 2005 Option Values

	Number of Shares Acquired on Exercise	Value Realized[1]	Number of Securities Underlying Unexercised Options at March 31, 2005		Value of Unexercised In-the-Money Options at March 31, 2005[2]	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Lawrence F. Probst III	239,700	$ 11,909,671	3,028,300	1,052,000	$ 112,770,322	$ 16,217,680
Don A. Mattrick	497,343	$ 16,465,027	350,905	778,400	$ 8,155,985	$ 12,459,324
Bruce McMillan	233,441	$ 8,297,354	491,359	675,200	$ 12,711,036	$ 11,407,836
Warren C. Jenson	210,000	$ 6,674,368	229,200	980,800	$ 4,805,862	$ 20,071,788
Gerhard Florin	66,002	$ 2,176,611	76,398	342,600	$ 1,331,921	$ 3,602,160

(1) The value realized is calculated by (a) subtracting the option exercise price from the market value on the date of exercise to get the realized value per share, and (b) multiplying the realized value per share by the number of shares underlying options exercised.

(2) The value of unexercised in-the-money options is calculated by (a) subtracting the option exercise price from $55.17 (the fair market value of EA s common stock at the close of business on the last trading day of fiscal 2005, March 24, 2005) to get the value per share subject to option, and (b) multiplying the value per share subject to option by the number of shares underlying exercisable and unexercisable options.

EQUITY COMPENSATION PLAN INFORMATION

Common Stock

We have five equity incentive plans (excluding plans assumed by EA in acquisitions, as described in footnote 1 below) under which our common stock is or has been authorized for issuance to employees or Directors: the 1991 Stock Option Plan; Directors Stock Option Plan; 1998 Directors Stock Option Plan; 2000 Equity Incentive Plan; and the 2000 Employee Stock Purchase Plan. Each of these plans has been approved by our stockholders.

In the past, we have granted options to certain individuals (not employees or Directors) under our Celebrity and Artist Stock Option Plan. This plan was not approved by the stockholders, has since expired, and no further grants will be issued under it.

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The following table gives aggregate information regarding grants under all of our equity incentive plans as of the end of fiscal 2005, including the 2000 Equity Incentive and 2000 Employee Stock Purchase Plans, which are proposed to be amended at the 2005 Annual Meeting as described in Proposals To Be Voted On and Appendices A and B.

Plan Category[1]	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 (Excluding Securities Reflected in Column A)
Equity compensation plans approved by security holders[2]	40,297,093	$ 36.07	14,192,512
Equity compensation plans not approved by security holders[3]	184,602	$ 10.28	0
Total	40,481,695		14,192,512

(1) The table does not include information for equity incentive plans we assumed in connection with our acquisitions of Maxis in 1997 and Criterion Software in 2004. As of March 31, 2005, a total of: (a) 451,138 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 $25.65; and (b) a total of 19,657 shares were issuable upon exercise of outstanding options issued under the Criterion stock option plan, with a weighted average exercise price of $1.61. No shares remain available for issuance under the Maxis or Criterion plans.

(2) As of March 31, 2005, a total of: (a) 6,749,857 shares of common stock were issuable upon exercise of outstanding options under the 1991 Stock Option Plan, with a weighted average exercise price of $15.39; (b) a total of 84,720 shares of common stock were issuable upon exercise of outstanding options under the Directors Stock Option Plan, with a weighted average exercise price of $7.97; (c) 614,410 shares of common stock were issuable upon exercise of outstanding options under the 1998 Directors Stock Option Plan, with a weighted average exercise price of $30.81; and (d) 32,848,106 shares of common stock were issuable upon exercise of outstanding options under the 2000 Equity Incentive Plan, with a weighted average exercise price of $40.49. The 1991 and Directors Stock Option Plans have expired and no further grants may be made under them. As of March 31, 2005, 11,259 shares remained available for issuance under the 1998 Directors Plan, however, we do not expect to make any future grants under this plan. As of March 31, 2005, 12,733,557 shares remained available for issuance under the 2000 Equity Incentive Plan, and 1,447,696 shares remained available for purchase by our employees under the 2000 Employee Stock Purchase Plan.

(3)

The Celebrity and Artist Stock Option Plan (Artist Plan) was adopted by our Board of Directors in July 1994 and expired in July 2004. The Artist Plan was established as a plan to attract, retain and provide equity incentives to selected artists and celebrities associated with EA and certain employees of companies providing services to EA and in which we hold a minority equity interest. The terms regarding the exercise price of options, vesting, changes in capital structure, assumption of options and acceleration of vesting, and prohibitions on repricing under the Artist Plan are substantially similar to the terms of the 2000 Equity Incentive Plan, contained in Appendix A. As of March 31, 2005, a total of 184,602 shares of common stock were issuable upon exercise of outstanding options under the Artist Plan, with a weighted average exercise price of $10.28. No further grants will be made under the Artist Plan.

See also Note 12 to the Financial Statements included in EA s Annual Report on Form 10-K for the period ended March 31, 2005 for additional information about these plans.

EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS

EA currently has no employment contracts with any Named Executive Officer, other than Dr. Florin, or severance arrangements with respect to their resignation or termination of employment, except that outstanding options under the 2000 Equity Incentive Plan, including those held by executive officers, may

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immediately vest in connection with certain changes in control or ownership of the Company, unless the successor company assumes or replaces those options. In February 2001, prior to becoming an executive officer of EA, Dr. Florin entered into an agreement with us setting forth the terms and conditions of his employment. The agreement contained standard terms and conditions generally applicable at that time to all full-time employees in the UK. In addition, the agreement provided for: (i) Dr. Florin s salary at the time (which has been superseded by subsequent salary increases not reflected in the agreement); (ii) use of a company car and a fuel allowance (in accordance with company policy, this benefit is generally available to all senior employees and members of management resident in the UK); (iii) a notice of termination of employment period of six months plus one week for each year of employment with EA, up to a maximum of twelve additional weeks; and (iv) a six-month non-solicitation period following the termination of Dr. Florin s employment during which he is prohibited from enticing away from us any member of our senior management or our sales and development staff.

The following is the Report of the Compensation Committee describing the compensation policies applicable to EA s executive officers. This information 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.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Responsibilities and Composition of the Compensation Committee

In February 2003, the Board of Directors adopted the Compensation Committee s charter, which reflects the Committee s responsibilities and which provides that all members must be independent , as defined in applicable regulations and listing standards. During fiscal 2005, the Compensation Committee consisted of M. Richard Asher, William J. Byron and Robert W. Pittman. None of these members is a current or past employee of EA or any of its subsidiaries, nor are any of them eligible to participate in any of the executive compensation programs of the Company except through automatic formulaic grants pursuant to either the 2000 Equity Incentive Plan or Directors Plan. In addition, each meets the definition of Outside Director for the purposes of administering the compensation programs to meet the tax deductibility criteria under Section 162(m) of the Internal Revenue Code, and the definition of independent director under applicable Nasdaq Marketplace rules.

The Compensation Committee reviews and approves the compensation philosophy and programs for EA s executives. In fiscal 2005, the Compensation Committee reviewed and approved the salaries, bonuses and equity compensation of each of EA s executive officers, other than the Chief Executive Officer whose salary, bonus and equity compensation were reviewed by the Compensation Committee and approved by the independent members of the Board of Directors after discussing the Compensation Committee s recommendation. The Compensation Committee also administers the Company s equity compensation plans and the bonus plan for executive officers and all significant or non-standard equity grants for other employees. During fiscal 2005, the Compensation Committee engaged in extensive reviews of long-term incentive compensation strategies in light of potential stock option expensing, responsible dilution management, and a desire to continue to effectively attract, motivate and retain key talent. During the course of these reviews, the Compensation Committee evaluated the merits of several alternatives for delivering long-term incentives. The Compensation Committee meets at scheduled times throughout the year and also takes action by written consent, often after informal telephone discussions amongst the members of the Committee. The Compensation Committee met seven times in fiscal 2005. The Company s Human Resources and Legal Departments support the Committee in its work. In addition, the Compensation Committee has the authority to engage the services of outside advisors. During fiscal 2005, the Compensation Committee engaged an independent compensation consulting firm as an advisor and resource to assist the Committee in its review of the compensation for executive officers and other elements of the Company s total compensation strategy.

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Compensation Philosophy and Challenges

EA s compensation philosophy to attract, motivate and retain the best executive talent relies on two basic principles. First, a significant portion of each executive s compensation should be in the form of equity to align the executive s interests with those of EA s stockholders. Second, a significant portion of each executive s cash compensation should be performance-based and at risk varying from year to year depending on EA s financial and operational performance and on the individual meeting financial and other performance measures. For fiscal 2005, several of EA s most senior executive officers, including the Chief Executive Officer, all Executive Vice Presidents, and the CEO s executive direct reports, did not receive an incentive bonus. The Compensation Committee and the Company remain committed to this pay for performance philosophy which ensures that executive cash compensation will reflect the Company s and the executive s performance.

As the employment market has improved over the last fiscal year, EA has experienced competitive recruiting efforts aimed at its executives. EA s leading and growing position within the entertainment industry makes it a prime target for recruiting of executives and key creative talent.

The Company also continues to recruit for key talent and executives. Competition in attracting and retaining talent comes primarily from three broad industry segments: entertainment, high technology and consumer packaged goods. EA has continued to build its senior management team and has been successful in attracting talent from the entertainment software industry and other market segments to add management depth and experience to the organization. The Company continues to look at creative new methods using its compensation programs to successfully recruit new talent into the organization while maintaining parity with compensation of current key executives. Just as important as recruiting new talent and executives into the organization is the internal development and retention of key talent and executives. As EA grows, it will, like all organizations, have normal turnover within its executive ranks.

Data Considered and Process Used

In fiscal 2005, at the direction of the Compensation Committee, EA s Human Resources Department gathered executive compensation data from nationally recognized surveys and provided a comprehensive analysis of this data to the Compensation Committee and its independent compensation consulting firm. The factors used to determine the participants in the survey included industry type, annual revenues, industry growth rate and geography. Companies included in this data were from high technology (primarily software developers), entertainment and selected packaged goods companies as reference points. The companies in the compensation survey overlap considerably with the companies contained in the RDG Technology Composite index. Additional companies included in the survey group were judged to be relevant because they compete for executive talent with EA.

EA s executive level positions, including the CEO, were matched to comparable survey positions and competitive market compensation levels to determine base salary ranges, target incentives and target total cash compensation. EA s Human Resources Department participated in comprehensive surveys such as the Mellon Global Long-Term Incentive Practices Survey to assist in determining appropriate equity level compensation. In keeping with its performance-based and at-risk pay philosophy, the Committee targets total cash compensation (consisting of base salary plus bonus target) between the 50th and 75th percentile of the market, and targets equity compensation to approximately the 75th percentile.

This competitive market data was reviewed by the Human Resources Department with the CEO for each benchmark executive level position, and with the Compensation Committee for the CEO and other key executives. The Compensation Committee also considers each executive s responsibility level and EA s fiscal year performance compared to objectives and potential performance targets for the subsequent year.

Executive Compensation

The Compensation Committee awards executive compensation in three components: base salary, cash incentive bonus and equity incentives. Historically, the Compensation Committee has generally reviewed and,

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if appropriate, adjusted executive compensation in October of each year. Beginning in fiscal 2005, in order to better align with EA s fiscal year planning and performance, the Committee moved its annual executive compensation review to February.

Base Salary. In reviewing executive officers base salaries, the Compensation Committee considered each executive s performance over the last year as reported by the CEO and the Executive Vice President of Human Resources, as well as each executive s responsibility level. In fiscal 2005, those eligible executives received an annual merit increase to their base salary during the Committee s February 2005 compensation review, including the Named Executive Officers. In fiscal 2005, EA re-aligned its global pay practices so that all merit-based salary increases would become effective on a common date. Ordinarily, merit-based salary increases occur once every twelve months. As of February 2005, however, executives at EA had not received merit-based salary increases since October 2003 (unlike non-executives who received merit-based salary increases in July 2004). Accordingly, executive merit increases in February 2005 were pro-rated to account for the extended period of time between merit increases. Excluding the impact of this pro-ration, merit-based salary increases for EA s executives were, in the aggregate, approximately the same on a percentage basis as merit-based salary increases received by the overall non-executive employee population.

Incentive Bonus. In fiscal 2005, the Company s annual incentive bonus plan remained the same as it was in fiscal 2004. The Compensation Committee assigned a target bonus to each executive officer (expressed as a percentage of that executive s base salary), determined which portions of each executive s target bonus are dependent on EA s financial performance and individual achievements and approved the overall mechanics and structure of the bonus plan. As a result of EA s financial performance in fiscal 2005, and in keeping with the Company s strong pay-for-performance philosophy, the Compensation Committee approved the recommendation of EA s CEO and members of his executive staff that the CEO, all Executive Vice Presidents and the CEO s executive direct reports should not be awarded incentive bonuses. Other executives and employees received bonuses that were substantially below their target levels.

Stock Options. In March 2005, the Compensation Committee made stock option grants to certain executive officers including the CEO. See Options Granted in Fiscal 2005 above. Stock options typically have been granted to executive officers when the executive first joins EA, in connection with a significant change in responsibilities, annually to provide incentives for continued performance and retention of employment and occasionally, to achieve internal equity between different positions within EA. The number of shares subject to each stock option granted to an executive officer was calculated to achieve a future value in unvested options equal to a multiple of each executive s annual base salary assuming both growth and stock appreciation. All grants were made at fair market value on the date of grant and vest as described in the Options Granted in Fiscal 2005 above. For certain executives, individual option grants awarded in March were bifurcated for the purposes of vesting: one portion of the award vests as to 24% of the shares 12 months after the date of grant, and then 2% on the first calendar day of each month thereafter for 38 months; the remaining portion vests as to 25% of the shares 24 months after the date of grant, 25% of the shares 36 months after the date of grant, and 50% of the shares 48 months after the date of grant. Option grants awarded to all executive officers represented 17% of total options awarded during fiscal 2005 and 0.5% of total shares outstanding as of the end of fiscal 2005. Overall, total option grants to all employees represented approximately 2.9% of total shares outstanding as of the end of fiscal 2005.

The Company and the Compensation Committee continue to believe in the use of stock options as the best form of equity compensation to achieve the Company s goals of attracting the best talent to EA, retaining its high-performing team and providing an incentive for its executives to perform at their highest levels. The Compensation Committee and the Company also continue to believe that stock options reward executives in a manner consistent with the value that is created for the Company s stockholders when the Company achieves its goals, and that performance is reflected in the growth of the Company s share price. Like other companies that see the same value in the use of stock options as a key component of executive compensation, the Compensation Committee and the Company are preparing for the likelihood of stock option expensing by carefully evaluating the type of equity incentive awards the Company grants and the amount of such awards granted annually.

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Executive Ownership Requirements. In fiscal 2004, the Board of Directors implemented EA stock ownership requirements for all executive officers. These ownership requirements are established as multiples of the executive s base pay, ranging from one to six times the executive officer s annual salary depending on the executive s level within the organization. In some cases, the ownership requirements are phased in on the basis of the executive officer s tenure. The Compensation Committee believes these ownership guidelines further align the interests of EA s stockholders and executive officers. As of March 31, 2005, each of EA s executive officers had met their then-applicable stock ownership requirements.

Other

Company-provided air travel for EA s executives is for business purposes only. EA s use of non-commercial aircraft on a time share or rental basis is limited to appropriate business travel.

In June 2002, EA hired Warren Jenson as Chief Financial and Administrative Officer. As part of its efforts to recruit Mr. Jenson, EA agreed to loan him $4,000,000, to be forgiven over four years based on his continuing employment. The loan does not bear interest. The loan was made prior to enactment of the Sarbanes-Oxley Act of 2002 and the prohibition on loans to executive officers. However, the Compensation Committee did review this proposed arrangement in light of the then-current environment and sensitivity to transactions with management and determined the environment for recruiting highly regarded and talented chief financial officers was, and has been, intensely competitive, and the Compensation Committee believed that a competitive compensation offer tied to continuing service was in EA s best interests and significantly more beneficial to the Company than unrestricted cash payments. In June 2004, pursuant to the terms of the loan agreement, EA forgave two million dollars of the loan and provided Mr. Jenson approximately $1.6 million to offset the tax implications of the forgiveness. The remaining outstanding loan balance of $2,000,000 will be forgiven on June 24, 2006, provided that Mr. Jenson has not voluntarily resigned his employment with EA or been terminated for cause prior to that time. No additional funds will be provided to offset the tax implications of the forgiveness of the remaining $2,000,000.

Fiscal 2005 CEO Compensation

Compensation for the CEO is determined through a process similar to that discussed above for executive officers in general. In fiscal 2005, EA s Human Resources Department gathered CEO compensation data from several nationally recognized surveys and conducted a proxy analysis comparing Mr. Probst s compensation to that of other CEOs. The analysis, which was reviewed by the Compensation Committee s independent compensation consulting firm, demonstrated that Mr. Probst s total cash compensation (consisting of base salary plus bonus target) was below the 50th percentile of the market, and his previous equity grant also fell below the 75th percentile of the market. In February 2005, this analysis was provided to the Compensation Committee for consideration.

The Compensation Committee then conferred with the full Board (other than Mr. Probst) in a closed session to further review and discuss the results of the market analysis, to review Mr. Probst s performance evaluation, and to recommend compensation adjustments. The Compensation Committee noted that Mr. Probst s previous salary increase was effective in October 2003. The Compensation Committee recommended, and the independent members of the Board approved, a base salary increase for Mr. Probst of 5.2%, establishing a new base salary of $710,000 per annum. As a result of EA s financial performance in fiscal 2005, Mr. Probst did not receive a cash performance incentive bonus for fiscal 2005. Mr. Probst s total cash compensation in fiscal 2005 decreased by approximately 52% from the prior fiscal year.

Also in February 2005, the Compensation Committee approved a new stock option grant to Mr. Probst for 300,000 shares of common stock based upon the retention and incentive factors discussed above and taking into account market comparisons, prior option grant history, the level of vested versus unvested shares and the number of shares Mr. Probst already owned at the time of the grant. Of the 300,000 shares granted, 100,000 shares will first vest and become exercisable as to 24% of the shares 12 months after the date of grant, and will then vest as to an additional 2% of the shares on the first calendar day of each month thereafter for 38 months. The remaining 200,000 shares will first vest and become exercisable as to 25% of the shares

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24 months after the date of grant, 25% of the shares 36 months after the date of grant, and 50% of the shares 48 months after the date of grant. This grant reflects the Compensation Committee s continuing policy to subject a substantial portion of Mr. Probst s overall compensation each year to the market performance of the Company s common stock, to maintain his option holdings at a level consistent with that for other chief executive officers of the survey companies, and to maximize the retention value of those option holdings.

Equity Compensation Analysis

As mentioned above, during the fiscal year, the Company and the Compensation Committee reviewed the merits of a variety of alternative equity-based compensation approaches and evaluated its approach of relying on stock options for employees and executive officers. The 2000 Equity Plan permits issuance of restricted stock, restricted stock units, and, if proposal number 2 is approved, will permit the issuance of stock appreciation rights. While EA has begun granting restricted stock units to overtime-eligible employees in the U.S., and may grant restricted stock units in the future, the Compensation Committee believes that stock options and similar equity vehicles (such as stock appreciation rights) with their high-potential risks and rewards are vital to EA s growth, provide the strongest incentive for employee performance in a growth company, and best meet the Company s philosophy of aligning employee compensation with stockholder value.

Tax Law Limits on Executive Compensation

Section 162(m) of the Internal Revenue Code limits deductions for executive compensation in excess of $1 million except for certain compensation which qualifies for a performance-based exception. Certain types of compensation in excess of $1 million are deductible by the Company if performance criteria are specified in detail and are contingent on stockholder approval of the compensation arrangement. The Company and the Compensation Committee have endeavored to structure executive compensation plans to achieve maximum deductibility under Section 162(m) with minimal sacrifices of flexibility and impact on corporate objectives.

With respect to equity compensation arrangements, the Compensation Committee has structured its current stock option arrangements in a manner intended to achieve tax deductibility of such amounts. With respect to non-equity compensation arrangements, the Compensation Committee has reviewed the terms of those arrangements most likely to be subject to the deduction limitation of Section 162(m).

Cash compensation and the contractual loan forgiveness discussed above for Mr. Jenson exceeded the Section 162(m) threshold in fiscal 2005. As a result, a portion of Mr. Jenson s fiscal year 2005 compensation will not be deductible. Although the excess will reduce the tax deduction available to EA, that reduction will not be material to EA, and the Compensation Committee believes that such compensation was consistent with competitive market conditions for attracting, motivating and retaining key executive talent.

While the Compensation Committee will continue to consider deductibility under Section 162(m) with respect to future compensation arrangements with executive officers, deductibility will not be the only factor used in ascertaining appropriate levels or modes of compensation. Since corporate objectives may not always be consistent with the requirements for full deductibility, it is possible that the Committee may, if consistent with EA s pay for performance philosophy described above, enter into compensation arrangements in the future under which payments are not fully deductible under Section 162(m).

COMPENSATION COMMITTEE

M. Richard Asher (Chairman)
William J. Byron
Robert Pittman

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The following is the 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.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors operates under a written charter, which is reviewed on an annual basis and was most recently amended in February 2003. 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 (SEC). During fiscal 2005, the Audit Committee consisted of M. Richard Asher, Gary M. Kusin and Gregory B. Maffei. In the opinion of the Board of Directors, Mr. Maffei meets 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 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. 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. Management has also represented to the Audit Committee that the Company s internal control over financial reporting was effective as of March 26, 2005 (the end of the Company s most recent 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. 61 (Communications with Audit Committees)*, 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.

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 *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).* The Audit Committee has also considered whether the provision of any non-audit services (as described above under Proposal No. 4. Ratification of the Appointment of KPMG LLP, Independent Auditors 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 financial statements of the Company for the three years ended March 31, 2005 be included for filing with the SEC in the Company s Annual Report on Form 10-K for the year ended March 31, 2005. The Audit Committee has also approved the selection of KPMG LLP as the Company s independent auditors for fiscal 2006.

AUDIT COMMITTEE
M. Richard Asher
Gary M. Kusin
Gregory B. Maffei (Chairman)

OTHER INFORMATION

CERTAIN TRANSACTIONS

Indebtedness of Management

On June 24, 2002, we hired Warren Jenson as our Chief Financial and Administrative Officer and agreed to loan him $4,000,000, to be forgiven over four years based on his continuing employment. The loan does not bear interest. On June 24, 2004, pursuant to the terms of the loan agreement, we forgave $2,000,000 of the loan and provided Mr. Jenson approximately $1.6 million to offset the tax implications of the forgiveness. As of March 31, 2005, the remaining outstanding loan balance was $2,000,000, which will be forgiven on June 24, 2006, provided that Mr. Jenson has not voluntarily resigned his employment with us or been terminated for cause prior to that time. No additional funds will be provided to offset the tax implications of the forgiveness of the remaining two million dollars.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

EA s Compensation Committee is composed of M. Richard Asher, William J. Byron, and Robert W. Pittman, none of whom is an employee or current or former officer of EA. No EA officer serves or has served since the beginning of fiscal 2005 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. Timothy J. Mott, an EA Director, has served as Chairman of All Covered Inc. since June 2000, and served as its Chief Executive Officer from November 2001 until February 2004. Rusty Rueff, EA s Executive Vice President, Human Resources and Facilities, serves on the board of directors of All Covered and was a member of its compensation committee until May 2004.

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 ten percent 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, 2005, 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 2006 ANNUAL MEETING

If you would like us to consider a proposal to be included in our 2006 proxy statement and proxy card, you must deliver it to the Company s Corporate Secretary at our principal executive office no later than February 24, 2006.

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Stockholders who otherwise wish to present a proposal at the 2006 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 26, 2006 and no later than April 25, 2006 (provided, however, that if the 2006 Annual Meeting is held earlier than June 28, 2006 or later than August 27, 2006, proposals must be received no earlier than the close of business on the later of the 90th day prior to the 2006 Annual Meeting or the 10th day following the day on which public announcement of the 2006 Annual Meeting is first made). The submission must include certain information concerning the stockholder and the proposal, as specified in the Company s bylaws.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and 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 proxy materials. A single proxy statement 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 proxy statement and annual report, 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 proxy statement and annual report at their address and would like to request householding of their communications should contact their broker.

OTHER BUSINESS

The Board does not know of any other matter that will be presented for consideration at the meeting except as specified in the notice of the meeting. If any other matter does properly come before 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

REQUESTS TO THE COMPANY

The Company will provide without charge, to each person to whom a proxy statement is delivered, upon request of such person and by first class mail within one (1) business day of receipt of such request, a copy of the 2000 Equity Incentive Plan and 2000 Employee Stock Purchase Plan requested. 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.

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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 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 includes all prior amendments as well as amendments proposed to be adopted by the Company s stockholders at the 2005 Annual Meeting.

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 57,400,000 shares of common stock pursuant to awards of stock options, 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 67,400,000. 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. As proposed to be amended, the above limitations would also apply to issuances of common stock pursuant to awards of stock appreciation rights.

As proposed to be amended, the following types of shares would not be available for future grant or issuance as awards under the Equity Plan: (a) shares that are not issued or delivered as a result of the net settlement of a stock option or stock appreciation right; (b) shares that are used to pay the exercise price or withholding taxes related to an award granted under the Equity Plan; and (c) 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.

Limitation on Number of Shares Subject to Restricted Stock Awards and Restricted Stock Unit Awards.

The number of shares of common stock that may be issued pursuant to awards of restricted stock and restricted stock units may not exceed 3,000,000 in the aggregate. As proposed to be amended, the number of shares that would be issuable pursuant to awards of restricted stock and restricted stock units would be increased to 4,000,000 in the aggregate.

Eligibility

The Equity Plan provides for the issuance of incentive stock options, nonqualified stock options, 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, restricted stock and restricted stock units may be granted to employees and Directors of EA or any parent or subsidiary of EA. As of June 1, 2005, approximately 5,800 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 employment. No awards of restricted stock have been made to date under the Equity Plan. A participant may hold more than one award granted under the Equity Plan.

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As proposed to be amended, the Equity Plan would also authorize the issuance of stock appreciation rights to employees of EA or any parent or subsidiary of EA, subject to the numerical limits set forth above.

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 the 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 executives of the Company.

Stock Options

Stock options granted under the Equity Plan may be either incentive stock options or nonqualified stock options. As proposed to be amended, the Equity Plan would provide 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; No Repricings

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. Pursuant to an amendment to the Equity Plan approved by the Board of Directors in February 2002, the exercise price of outstanding options issued under the Equity Plan may not be reduced without stockholder approval.

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 optionee; (c) by surrender of shares of the Company s common stock obtained by the optionee in the public market or owned by the optionee for at least six months and having a fair market value on the date of surrender equal to the aggregate exercise price of the option; (d) subject to applicable laws, by tender of a full-recourse promissory note; (e) by waiver of compensation due to or accrued by the optionee for services rendered; (f) subject to applicable laws, by a same-day sale commitment from the optionee and a National Association of Securities Dealers, Inc. (NASD) broker; (g) by a margin commitment from the optionee and an NASD broker; or (h) by any combination of the foregoing.

As proposed to be amended, payment by tender of a full-recourse promissory note would no longer be a payment option under the Equity Plan, however, payment by withholding from the shares to be issued upon exercise of an award a number of shares with a fair market value equal to the minimum amount required to satisfy the exercise or purchase price and applicable tax withholding requirements would be permitted, should the Compensation Committee elect to include such a payment provision in the applicable award agreement.

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

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Board of Directors is granted an option to purchase 25,000 shares of common stock. 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 10,000 shares of common stock. 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 annual 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 in 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

As proposed to be amended, the Compensation Committee would have the ability to 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 may determine. 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 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 would have the ability, at its discretion, to 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.

Restricted Stock Units

The Compensation Committee may grant restricted stock unit 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 unit award is similar to a restricted stock award (and, if the amendments to the Equity Plan are approved, could be awarded subject to any or all of the performance goals established by the Committee described below), except the stock is not delivered to the participant unless and until all restrictions have terminated.

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Performance Factors

If the amendments to the Equity Plan are approved, the Compensation Committee would have the ability to grant in its sole discretion 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, 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) net revenue; (b) earnings before interest, income taxes, depreciation and amortization; (c) operating income; (d) operating margin; (e) net income; (f) earnings per share; (g) total stockholder return; (h) the Company s stock price; (i) growth in stockholder value relative to a pre-determined index; (j) return on equity; (k) return on invested capital; (l) operating cash flow; (m) free cash flow; (n) economic value added; and (o) individual confidential business objectives. In addition, the Committee would, in its sole discretion, have the ability, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, to 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, restricted stock and restricted stock unit awards, and, if approved, stock appreciation rights are or would be 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.

Term of the Equity Plan

Unless terminated earlier as provided in the Equity Plan, the Equity Plan expires in 2010, ten (10) years from the date it was adopted by the Board of Directors.

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 FOREIGN PARTICIPANTS AS A RESULT OF PARTICIPATING IN THE EQUITY PLAN ARE GOVERNED BY THE TAX LAWS OF THE COUNTRIES IN

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WHICH SUCH PARTICIPANT RESIDES. 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 of an incentive stock option and incur no tax on its exercise, unless the participant is subject to the alternative minimum tax (AMT). If the participant holds shares acquired upon exercise of an incentive stock option (the 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 generally will realize capital gain or loss (rather than ordinary income or loss) upon disposition of the ISO Shares. This gain or loss will be equal to the difference between the amount realized upon such disposition and the amount paid for the ISO Shares. The rate of taxation that applies to capital gain depends upon the amount of time the ISO Shares are held by the participant.

If the participant disposes of ISO Shares prior to the expiration of either 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 difference between the option exercise price and the fair market value of the ISO Shares that are vested on the date of exercise is an adjustment to income for purposes of the AMT. If a participant exercises an ISO before it has fully vested, the participant may incur an AMT liability as the ISO Shares vest and the Company s right to repurchase the ISO Shares at the original issue price lapses, unless the participant makes a timely election under Section 83(b) of the U.S. Internal Revenue Code (an 83(b) election). 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). 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 ($45,000 in case of a joint return, subject to reduction under certain circumstances). If a disqualifying disposition of the ISO Shares occurs in the same calendar year as exercise of the ISO, there is no AMT adjustment with respect to those ISO Shares. Also, upon a sale of ISO Shares that is not a disqualifying disposition, alternative minimum taxable income is reduced in the year of sale by the excess of the fair market value of the ISO Shares at exercise over the amount paid for the ISO Shares.

Nonqualified Stock Options

A participant will not recognize any taxable income at the time a nonqualified stock option (NQSO) is granted. However, upon exercise of an NQSO for vested shares, the participant must 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 must be treated as ordinary income by the participant and may be subject to withholding by the Company (either by payment in cash or withholding out of the participant s salary). If a participant exercises an NQSO before it has fully vested, the participant may incur a regular income liability as the shares vest and the Company s right to repurchase the shares at the original issue price lapses, unless the participant makes a timely 83(b) election. Upon resale of the shares by the participant, 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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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 may be treated as ordinary income by the participant and will be subject to withholding by the Company (either by payment in cash or withholding out of the participant s award).

If the participant makes a timely 83(b) election, the participant who receives a restricted stock award will include in income as ordinary income, 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. The income may be subject to withholding by the Company (either by payment in cash or withholding out of the participant s award). If the award is subsequently forfeited, the participant will not receive any deduction for the amount treated as ordinary income.

Restricted Stock Units

Tax consequences to participants receiving restricted stock units are identical to those for awards of restricted stock, except that for restricted stock units, the amount of the award will be included in income as compensation at the time restrictions lapse, and the participant is entitled to receive the stock or cash.

Stock Appreciation Rights

Assuming that a stock-settled 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 stock-settled SAR is granted. However, upon exercise of a SAR for vested shares, the participant must 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 must be treated as ordinary income by the participant and may be subject to withholding by the Company (either by payment in cash, shares 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.

At the present time, the Company does not intend to grant any cash-settled SARs under the Equity Plan until the application of Section 409A of the U.S. Internal Revenue Code (the Code) is settled and expects that any deferrals made with respect to grants of cash-settled SARs or other equity awards under the Equity Plan will comply with the requirements of Section 409A. The tax treatment of a SAR settled in whole or in part in cash is unknown at this time due to the uncertainty regarding the application of Section 409A of the Code. If the requirements of Section 409A are not met, participants may suffer adverse tax consequences with respect to a SAR which is settled in whole or in part in cash. Such consequences may include taxation at the time of the vesting of the award and interest and penalties on any deferred income.

Tax Treatment of the Company

The Company generally will be entitled to a deduction in connection with the exercise of a NQSO or a SAR by a participant, or the receipt by the participant of restricted stock or restricted stock unit award, 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 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, provided that the Company properly reports such income to the IRS.

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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.

Outstanding Options Under the Equity Plan

As of March 31, 2005, 11,818,337 shares had been issued pursuant to exercises of stock options under the Equity Plan by award recipients, 5,806 persons held NQSOs under the Equity Plan to purchase an aggregate of 32,848,106 shares of common stock, with a weighted average exercise price of $40.43 per share, and there were 12,733,557 shares of common stock available for future awards under the Equity Plan. An aggregate of 57,400,000 shares of the Company s authorized common stock has been reserved for issuance under the Equity Plan.

Proposed Amendments to the Equity Plan

At the 2005 Annual Meeting, stockholders will be asked to approve amendments to the Equity Plan as follows:

Increase the number of shares authorized and reserved for issuance under the Equity Plan by 10,000,000 shares to a total of 67,400,000 shares;

Authorize the issuance of awards of stock appreciation rights;

Increase by 1 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan from 3 million to 4 million;

Modify the payment alternatives under the Equity Plan;

Add flexibility to grant performance-based stock options and stock appreciation rights and modify the permissible performance factors currently contained in the Equity Plan; and

Revise the share-counting methodology used in the Equity Plan.

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Appendix B

GENERAL DESCRIPTION OF THE 2000 EMPLOYEE STOCK PURCHASE PLAN

2000 Employee Stock Purchase Plan, as Amended

History. The 2000 Purchase Plan was adopted by the Board on May 25, 2000, approved by the Stockholders on July 27, 2000, and was amended on February 13, 2003 to facilitate participation by employees of the Company moving to and from the United States and other countries, on June 26, 2003, on July 26, 2003, and on July 29, 2004. The following discussion describes the terms of the Purchase Plan, as amended to date.

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 June 1, 2005, the Company estimates that approximately 6,100 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

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Company, or any parent or subsidiary of the Company, exceeds $25,000 in fair market value (determined on the Offering Date) for each year.

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 bid price of the common stock on the immediately preceding business day as quoted on the Nasdaq National Market. On June 1, 2005, the closing bid price of the Company s common stock was $51.14.

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 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), within 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.

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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.

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 meeting, stockholders will be asked to approve an amendment to the Purchase Plan to increase by 1,500,000 the number of shares of the Company s common stock reserved for issuance under the Purchase Plan. None of these proposed shares have been granted or issued on the basis of such proposed approval.

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Appendix C
(included only with 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 at the 2005 Annual Meeting

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. Subject to Sections 2.2, 2.3 and 19, the aggregate number of Shares that have been reserved pursuant to this Plan is 67,400,000 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. 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 Limitation on Number of Shares Subject to Restricted Stock Awards and Restricted Stock Unit Awards. The number of Shares that may be issued under Sections 6 and 7 of this Plan shall not exceed 4,000,000 in the aggregate.

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 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.

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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 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 grant an Award under this Plan to Participants who are not Insiders of the Company.

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

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(***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 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 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 making such determination, the Board shall give the Participant an opportunity to present to the Board evidence on his behalf. For the purpose of this paragraph, termination of service shall be deemed to occur on the date when the Company 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 and (ii) 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.

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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 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. 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 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:

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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. Payment of the Purchase Price, if any, shall be made in accordance with Section 9 of this Plan when the Shares are issued.

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 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.

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.

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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. However, 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.

(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 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

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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.

(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 making such determination, the Board shall give the Participant an opportunity to present to the Board evidence on his behalf. For the purpose of this paragraph, Termination of service shall be deemed to occur on the date when the Company dispatches notice or advice to the Participant that his service is terminated.

9. PAYMENT FOR SHARE PURCHASES. Payment for Shares purchased pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) 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;

(c) by waiver of compensation due or accrued to the Participant for services rendered;

(d) 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

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(e) 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

(f) by any combination of the foregoing; or

(g) 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 or SARs; *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 an Option or SAR, as determined by the Committee, for 25,000 Shares (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 an Option or SAR, as determined by the Committee, for 10,000 Shares (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 to purchase a number of Shares equal to 10,000 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. 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 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. Succeeding Grants will vest in accordance with each Stock Option Agreement or SAR Agreement, as the case may be.

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 Deferral 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.

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If an Outside Director so elects to defer, there shall be credited to such Outside Director a number of Shares equal to the amount of the deferral (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 a deferral 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 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 requirements.

11.2 Stock Withholding. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax 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 withholding tax 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. 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.

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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.

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 followed by its immediate replacement with a new Option 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.

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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 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 Section 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.

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21. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as provided herein, this Plan will terminate ten (10) years from the date this Plan is 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.

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 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, 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) Net revenue;

(b) Earnings before interest, income taxes, depreciation and amortization;

(c) Operating income;

(d) Operating margin;

(e) Net income;

(f) Earnings per share;

(g) Total stockholder return;

(h) The Company s stock price;

(i) Growth in stockholder value relative to a pre-determined index;

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(j) Return on equity;

(k) Return on invested capital;

(l) Operating cash flow;

(m) Free cash flow;

(n) Economic value added; and

(o) Individual confidential business objectives.

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 Class A 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***).

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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 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 Adopted by the Board of Directors on May 25, 2000
As Approved by the Stockholders on July 27, 2000
As Amended on February 13, 2003, June 26, 2003,
July 31, 2003, July 29, 2004 and October 27, 2004
As Proposed to be Amended by the Stockholders at the 2005 Annual Meeting

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 5,300,000 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;

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(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.

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 s or Subsidiary s (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.

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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.

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

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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.

(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.

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(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.

(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

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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 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, issuance of all of the shares of Common Stock reserved for issuance under the Plan, or ten (10) years from the adoption of the Plan by the Board. 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

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(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.

(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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ELECTRONIC ARTS INC.
PROXY FOR 2005 ANNUAL MEETING OF STOCKHOLDERS

The undersigned stockholder of Electronic Arts Inc., a Delaware corporation (the Company), hereby appoints Lawrence F. Probst III and Warren C. Jenson, and each of them, proxies and attorneys-in-fact, with full power of substitution to each, on behalf of and in the name of the undersigned, to represent the undersigned at the 2005 Annual Meeting of Stockholders of the Company to be held at the Company s headquarters, 209 Redwood Shores Parkway, Building 250, Redwood City, CA 94065 on July 28, 2005, at 2:00 p.m., and at any adjournment thereof, and to vote all shares the undersigned would be entitled to vote if personally present at the meeting on the following matters:

1. ELECTION OF DIRECTORS

o FOR all nominees listed below (except as marked to the contrary below)

o WITHHOLD AUTHORITY to vote for the nominees listed below

Nominees: M. Richard Asher, Leonard S. Coleman, Gary M. Kusin, Gregory B. Maffei, Timothy Mott, Vivek Paul, Robert W. Pittman, Lawrence F. Probst III, and Linda J. Srere

Instruction: To withhold authority to vote for any individual nominee, write that nominee s name on the following line:

2. AMENDMENTS TO THE 2000 EQUITY INCENTIVE PLAN

o FOR o AGAINST o ABSTAIN

3. AMENDMENT TO THE 2000 EMPLOYEE STOCK PURCHASE PLAN

o FOR o AGAINST o ABSTAIN

4. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

o FOR o AGAINST o ABSTAIN

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** ALL NOMINEES FOR ELECTION AND **FOR** PROPOSALS 2, 3, and 4.

(Continued and to be executed on reverse side)

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(Continued form other side)

THIS PROXY WILL BE VOTED AS DIRECTED, IN THE ABSENCE OF DIRECTION, THIS PROXY WILL BE VOTED FOR ALL NOMINEES FOR ELECTION AND FOR PROPOSALS 2, 3, AND 4. In their discretion, the proxy holders are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof to the extent authorized by Rule 14a-4(c) promulgated by the Securities and Exchange Commission.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO SIGN AND PROMPTLY MAIL THIS PROXY IN THE ENCLOSED RETURN ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.

The undersigned hereby acknowledges receipt of (a) the Notice of 2005 Annual Meeting of Stockholders of the Company; (b) the accompanying Proxy Statement; and (c) the Annual Report to Stockholders for the year ended March 31, 2005.

Please sign exactly as your name(s) appears on your stock certificate. If shares are held in the names of two or more persons (including husband and wife, as joint tenants or otherwise) all persons must sign. If shares are held by a corporation, the proxy should be signed by the president or vice president and the secretary or assistant secretary. Fiduciaries who execute the proxy should give their full title.

Signature

Signature
Dated:_____, 2005