

ELECTRONIC ARTS INC
Form DEF 14A
June 28, 2004
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SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|---|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> 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)

Payment of Filing Fee (Check the appropriate box)

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2. Aggregate number of securities to which transaction applies:

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

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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NOTICE OF ANNUAL

STOCKHOLDERS MEETING

AND

PROXY STATEMENT

PLEASE COMPLETE, SIGN, DATE AND

RETURN YOUR PROXY CARD PROMPTLY

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LETTER TO STOCKHOLDERS

June 28, 2004

Dear Fellow Stockholders:

You are cordially invited to join us at the 2004 Annual Meeting of Stockholders that will be held at 207 Redwood Shores Parkway in Redwood City, California on July 29, 2004 at 2:00 p.m. At this meeting the stockholders will:

elect nine Directors;

vote on proposed amendments to the 2000 Equity Incentive Plan and Employee Stock Purchase Plan;

vote on a proposal to amend and restate our Certificate of Incorporation to consolidate our Class A common stock and Class B common stock into a single class of common stock;

vote on a proposal to increase the number of authorized shares of our common stock from 500 million to 1 billion; and

ratify the appointment of KPMG LLP as our independent auditors for fiscal 2005.

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 2004 Annual Report.

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

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VOTING INSTRUCTIONS

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.

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;

OR

- (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.

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NOTICE OF 2004 ANNUAL MEETING OF STOCKHOLDERS

Notice of 2004 Annual Meeting of Stockholders

DATE: July 29, 2004

TIME: 2:00 p.m.

PLACE: ELECTRONIC ARTS HEADQUARTERS

Milestone Auditorium

207 Redwood Shores Parkway

Redwood City, CA 94065

MATTERS TO BE VOTED UPON:

1. Election of nine Directors to hold office for a one-year term;
2. Amendments to the 2000 Equity Incentive Plan to (a) increase by 11 million the number of shares of common stock reserved for issuance under the Plan, (b) provide for the issuance of awards of restricted stock units, (c) limit the total number of shares underlying awards of restricted stock and restricted stock units to 3 million, (d) provide that the exercise price of nonqualified stock options may not be less than 100% of the fair market value of a share of Class A common stock, (e) reduce the size of initial and annual option grants to Directors under the Plan, and (f) authorize the Compensation Committee to determine the vesting provisions of options granted to Directors under the Plan;
3. 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 Plan;
4. The amendment and restatement of our Certificate of Incorporation to consolidate our Class A and Class B common stock into a single class of common stock by reclassifying each outstanding share of Class A common stock as one share of common stock and converting each outstanding share of Class B common stock into 0.001 share of common stock;
5. The further amendment and restatement of our Certificate of Incorporation to increase the authorized common stock from 500 million total shares of Class A and Class B common stock to 1 billion shares of a single class of common stock (or 1 billion shares of Class A common stock if stockholders do not approve Proposal 4);
6. Ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2005; and

7. 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 8, 2004 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

Vice President,

Acting General Counsel and Secretary

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PROXY STATEMENT

PROXY STATEMENT

Our Board of Directors is soliciting proxies for the 2004 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 8, 2004 as the record date for the meeting. Stockholders who owned Class A 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 302,999,386 shares of Class A common stock outstanding on the record date.

Stockholders who owned Class B common stock on the record date are entitled to notice of the meeting, and to attend and vote at the meeting, with each share entitled to 0.05214 of one vote. There were 200,130 shares of Class B common stock outstanding on the record date, representing 10,434 votes.

Voting materials, which include the Proxy Statement, Proxy Card and 2004 Annual Report, were mailed to stockholders on or about June 28, 2004.

In this Proxy Statement:

EA , we and Company mean Electronic Arts Inc.

2000 Equity Plan or Equity Plan means EA s 2000 Equity Incentive Plan

2000 Purchase Plan , Purchase Plan or ESPP means 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.

Class A common stock means EA s Class A common stock as described in EA s current Certificate of Incorporation.

Class B common stock means EA s Class B common stock as described in EA s current Certificate of Incorporation.

Unless otherwise noted, all Class A common stock share and per share information has been adjusted to reflect a two-for-one stock split of our Class A common stock, which was distributed on November 17, 2003 in the form of a stock dividend for stockholders of

record at the close of business on November 3, 2003.

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QUESTIONS AND ANSWERS

COMMONLY ASKED QUESTIONS and ANSWERS

Q: Why am I receiving this Proxy Statement and Proxy Card?

A: This Proxy Statement describes proposals on which you, as a stockholder, will 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.

Q: Who can vote at the Annual Meeting?

A: Stockholders who owned Class A and Class B common stock on June 8, 2004 may attend and vote at the Annual Meeting. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to .05214 of one vote. There were 302,999,386 shares of Class A and 200,130 shares of Class B common stock outstanding on June 8, 2004, respectively, representing a total of 303,009,820 votes.

Q: What am I voting on?

A: We are asking you to:

Elect nine Directors;

Approve amendments to the 2000 Equity Incentive Plan to (a) increase by 11 million the number of shares of common stock reserved for issuance under the plan, (b) provide for the issuance of awards of restricted stock units, (c) limit the total number of shares underlying awards of restricted stock and restricted stock units to 3 million, (d) provide that the exercise price of all stock options may not be less than 100% of the fair market value of a share of Class A common stock, (e) reduce the size of initial and annual option grants to Directors under the plan, and (f) authorize the Compensation Committee to determine the vesting provisions of options granted to Directors under the 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 plan;

Approve the amendment and restatement of our Certificate of Incorporation to consolidate our Class A common stock and Class B common stock into a single class of common stock by reclassifying each share of Class A common stock as one share of common stock, and converting each outstanding share of Class B common stock into 0.001 share of common stock;

Approve the further amendment and restatement of our Certificate of Incorporation to increase the number of authorized shares of common stock from 500 million to 1 billion shares (or 1 billion shares of Class A common stock if stockholders do not approve the proposal to consolidate our Class A and Class B common stock); and

Ratify the appointment of KPMG LLP as our independent auditors for fiscal 2005.

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QUESTIONS AND ANSWERS

Q: *How do I vote?*

A: **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:

- q **for** the election of nine Directors;

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

- q **for** the amendment to the 2000 Purchase Plan;

- q **for** the amendment and restatement of the Certificate of Incorporation to consolidate the Class A common stock and Class B common stock into a single class of common stock;

- q **for** the further amendment and restatement of the Certificate of Incorporation to increase the number of authorized shares of common stock; and

- q **for** ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2005.

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.

Q: *What does it mean if I receive more than one proxy card?*

A: 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.

Q: *What if I change my mind after I give my proxy?*

A: 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.

Q: *Who will count the votes?*

A: Employees of Wells Fargo Shareowner Services will tabulate the votes and act as the inspectors of election.

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QUESTIONS AND ANSWERS

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

A: To hold the meeting and conduct business, a majority of EA's outstanding voting shares as of June 8, 2004 must be present or represented by proxies at the meeting. On this date a total of 302,999,386 shares of Class A and 200,130 shares of Class B common stock were outstanding and entitled to vote a total of 303,009,820 votes. Shares representing a majority, or 151,504,911 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.

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

A: 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. A failure to vote shares registered in your name will have the same effect as a negative vote with respect to Proposals 4 and 5.

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

A: 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, and thus will not be voted with respect to Proposals 2, 3 and 4. These broker non-votes will be counted for purposes of determining whether a quorum is present, will not be counted for any purpose with respect to Proposals 2 and 3, and will have the effect of negative votes with respect to Proposal 4.

Q: *How are votes counted?*

A: 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 6, and will have the effect of negative votes with respect to Proposals 4 and 5.

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.

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QUESTIONS AND ANSWERS

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

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

Q: *What happens if one or more of the nominees is unable to stand for re-election?*

A: 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 can vote your shares for a substitute nominee. They cannot vote for more than nine nominees.

Q: *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?*

A: The 2000 Plan amendments and the ratification of auditors must receive a for vote of a majority of the votes present at the meeting in person or by proxy and voting on these proposals.

Q: *How many votes are necessary to pass the proposal to amend and restate the Company's Certificate of Incorporation to consolidate the Class A common stock and Class B common stock into a single class of common stock?*

A: To pass, this proposal must receive a for vote of both:

a majority of the outstanding shares of the Class A common stock and Class B common stock, voting together as a single class, and

a majority of the outstanding shares of Class B common stock voting separately.

Q: *How many votes are necessary to pass the proposal to amend and restate the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 500 million to 1 billion shares (or 1 billion shares of Class A common stock if stockholders do not approve the proposal to consolidate our Class A and Class B common stock)?*

A: This proposal must receive a for vote of a majority of the outstanding shares of the Class A common stock and Class B common stock, voting together as a single class.

Q: *Where do I find the voting results of the meeting?*

A: 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 2005. We will file that report with the Securities and Exchange Commission, and you can get a copy by contacting our Investor Relations Hotline 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.

Q: *Why are you amending the 2000 Equity Plan?*

A: First, we are amending the 2000 Equity Plan to increase the number of shares available. We want to ensure that the plan includes enough shares for employees, officers and Directors to be appropriately compensated under the 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 and retain key talent and to drive our performance.

Second, we are amending the 2000 Equity Plan to ensure that we have flexibility by expressly providing for the ability to grant restricted stock units.

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Third, we are amending the 2000 Equity Plan to limit the total number of shares underlying awards of restricted stock and restricted stock units to 3 million.

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QUESTIONS AND ANSWERS

Fourth, we are proposing to amend the 2000 Equity Plan such that the exercise price of all stock options may not be less than 100% of the fair market value of a share of Class A common stock on the date of grant. Although we have never granted stock options under the plan with an exercise price below fair market value on the date of grant, the plan currently provides us with the ability to do so in the case of nonqualified stock options (at an exercise as low as 85% of fair market value). As we have no intention of granting any stock options under the plan with an exercise price below fair market value, we feel that it would be appropriate to amend the plan to reflect both our current practices and intentions for the future.

Fifth, we are proposing to amend the Plan to adjust the automatic option grants to Directors. To date, although Directors have been eligible to receive awards under the 2000 Equity Plan, they have not done so. Instead, they received equity awards under the Directors' Plan. Going forward, we intend to use the 2000 Equity Plan for automatic option grants to Directors, and therefore propose the following changes:

reduce the number of shares underlying the options that are automatically granted to non-employee Directors upon their initial appointment or election from 100,000 shares to 25,000 shares;

reduce the number of shares underlying options that are automatically granted to non-employee Directors upon re-election by the stockholders each year from 32,000 shares to 10,000 shares; and

remove the vesting provisions in the 2000 Equity Plan for the annual option grants (but not for the initial grant). The Board currently intends to provide, in the option agreements, that annual option grants will fully vest after 1 year to better coincide with the term of service for which the annual option grants are made.

Q: *Why are you amending the 2000 Purchase Plan?*

A: We are amending the 2000 Purchase Plan to increase the number of shares available. The Purchase Plan permits the purchase of our common stock by our employees 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 as 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 for at least fiscal 2005.

Q: *Why are you amending and restating the Certificate of Incorporation to consolidate the Class A common stock and the Class B common stock into a single class of common stock?*

A: The two classes of common stock were created by way of an amendment to our Certificate of Incorporation in 2000 for the purpose of establishing a class of common stock that reflected the performance of the Company as a whole (the Class A common stock) and establishing a tracking stock that was to reflect the performance of our online games.