

TAKE TWO INTERACTIVE SOFTWARE INC  
Form DEF 14A  
July 28, 2014  
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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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Take-Two Interactive Software, 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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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July 28, 2014

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Take-Two Interactive Software, Inc., that will be held on September 16, 2014, at 8:30 a.m. local time at the Trump SoHo hotel, 246 Spring Street, Hudson Square Room, 3<sup>rd</sup> Floor, New York, New York 10013.

Details of the business to be conducted at the Annual Meeting are given in the attached Notice of Annual Meeting of Shareholders and Proxy Statement, which you are urged to read carefully.

We are pleased to take advantage of Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders on the Internet. We believe these rules allow us to provide our shareholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting. On or about August 4, 2014, we expect to begin mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report and vote online; however, shareholders of record will receive a copy of the Proxy Statement and Annual Report by mail instead of receiving the Notice of Internet Availability of Proxy Materials. The Proxy Statement and Notice of Internet Availability of Proxy Materials contain instructions on how you can receive a paper copy of the Proxy Statement and Annual Report if you only received a Notice of Internet Availability of Proxy Materials by mail.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. After reading the Notice of Annual Meeting of Shareholders and Proxy Statement, we urge you to cast your vote via the Internet or, if you received a proxy card, complete, sign, date and return the proxy card in the envelope provided or follow the instructions for voting by telephone that may be included therein. If the address on the Notice of Internet Availability of Proxy Materials or the accompanying material is incorrect, please advise our Transfer Agent, American Stock Transfer & Trust Company, in writing at 6201 15th Avenue, Brooklyn, New York 11219.

We hope to see you at the meeting and appreciate your continued support.

Sincerely,

Strauss Zelnick

*Chairman and Chief*

*Executive Officer*

Take-Two Interactive Software, Inc., 622 Broadway, New York, New York 10012, USA

tel 646.536.2842 fax 646.536.2926 [www.take2games.com](http://www.take2games.com)

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TAKE-TWO INTERACTIVE SOFTWARE, INC.

622 Broadway

New York, New York 10012

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

September 16, 2014

To the Shareholders of TAKE-TWO INTERACTIVE SOFTWARE, INC.:

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting (the *Annual Meeting*) of Shareholders of Take-Two Interactive Software, Inc. (the *Company*) will be held on September 16, 2014, at 8:30 a.m. local time at the Trump SoHo hotel, 246 Spring Street, Hudson Square Room<sup>d</sup> 3 Floor, New York, New York 10013, to consider and vote upon the following:

1. Election of six directors;
2. Approval of certain amendments to the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan, including an increase in the available shares reserved thereunder, and the re-approval of the performance goals specified therein;
3. Approval, on a non-binding advisory basis, of the compensation of the Company's named executive officers as disclosed in this Proxy Statement;
4. Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015; and

5. Other business that may properly come before the Annual Meeting or any adjournment thereof.

Your Board of Directors believes that the election of the nominated directors, the approval of certain amendments to the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan and the re-approval of the performance goals specified therein, the approval of the compensation of the named executive officers and the ratification of the appointment of Ernst & Young LLP are in the best interests of the Company and its shareholders and, accordingly, recommends a vote **FOR** the approval of these proposals.

Only shareholders of record at the close of business on July 25, 2014 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Linda Zabriskie

*Corporate Secretary*

July 28, 2014

**Your vote is very important, regardless of the number of shares you own. Please read the attached proxy statement carefully and complete and submit your proxy card via the Internet or telephone (as instructed on your proxy card) or sign and date your paper proxy card as promptly as possible and return it in the enclosed envelope.**

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**TAKE-TWO INTERACTIVE SOFTWARE, INC.**

**622 Broadway**

**New York, New York 10012**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON SEPTEMBER 16, 2014**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Take-Two Interactive Software, Inc. (the *Company* or *Take-Two*) for use at the Annual Meeting of Shareholders (the *Annual Meeting*) to be held on September 16, 2014 at 8:30 a.m. local time, including any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

The Company expects to either mail or provide notice and electronic delivery of this Proxy Statement and the enclosed form of proxy to shareholders on or about August 4, 2014.

Proxies in the accompanying form, duly executed and returned to the management of the Company and not revoked, will be voted at the Annual Meeting. A proxy may be revoked by the shareholder of record at any time prior to the voting of the proxy by a subsequently dated proxy, by written notification to the Secretary of the Company, or by personally withdrawing the proxy at the Annual Meeting and voting in person.

The address of the principal executive offices of the Company is 622 Broadway, New York, New York 10012, and its telephone number is (646) 536-2842.

The rules of the Securities and Exchange Commission ( *SEC* ) require us to notify all shareholders, including those shareholders to whom we have mailed proxy materials, of the availability of our proxy materials through the Internet.

**Important Notice Regarding the Availability of Proxy Materials**

**for the Shareholder Meeting to be held on September 16, 2014**

**Our Proxy Statement and 2014 Annual Report to Shareholders are available at**

**<http://www.proxyvote.com>**

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**ELECTION OF DIRECTORS**

**(Proposal 1)**

All members of our Board of Directors stand for election on an annual basis, and at the Annual Meeting six directors will be elected to hold office for a term expiring at the 2015 Annual Meeting of Shareholders. The Board of Directors, upon the recommendation of the Corporate Governance Committee, has nominated the individuals named below. Each director will be elected to serve until a successor is elected and qualified or until the director's earlier resignation or removal.

Our six nominees include five independent, outside directors who as a group have extensive and diverse management and subject matter experience and knowledge that is critical to the Company. The nominees include Susan Tolson, a former executive and portfolio manager at Capital Group, who joined the Board in March 2014 after being identified and recommended for appointment by the Corporate Governance Committee. The average director tenure is six years, and the average age of our Board members is 56.

At the Annual Meeting, the proxies given by shareholders will be voted individually for the election, as directors of the Company, of the persons named herein, unless a proxy card specifies that it is not to be voted in favor of a nominee for director. If any of the nominees listed below shall be unable to serve, it is intended that the proxy will be voted for such other nominees as may be designated by the Board of Directors. Each of the persons named herein has indicated to the Board of Directors that he or she will be available to serve as a director of the Company.

*Policy on Majority Voting for Directors.* In an uncontested election, any nominee for director who receives a greater number of votes withheld from the individual's election than votes for such election promptly shall tender the individual's resignation to the Corporate Governance Committee following certification of the shareholder vote. The Corporate Governance Committee promptly will consider the resignation offer and recommend to the Board of Directors the action to be taken with respect to such offered resignation. The Board of Directors will act on the Corporate Governance Committee's recommendation within 90 days following the date of the Annual Meeting. Thereafter, the Board of Directors promptly will disclose its decision whether to accept the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable) in a Current Report on Form 8-K filed with the SEC. Any director tendering a resignation pursuant to this provision shall not participate in the Corporate Governance Committee recommendation or action of the Board of Directors regarding whether or not to accept the resignation offer. Abstentions and broker non-votes with respect to a director's election will not be counted as votes withheld for purposes of this policy.

**The Board of Directors recommends that shareholders vote FOR the election of the nominees named below.**

**Robert A. Bowman**

**Mr. Bowman is President and Chief Executive Officer of Major League Baseball Advanced Media, L.P.** ( *MLB Advanced Media* ), which manages the interactive and Internet rights for Major League Baseball, a position he has held since 2000.

Independent Director

**Prior executive roles:** Before joining MLB Advanced Media, Mr. Bowman was President and Chief Operations Officer of ITT Corporation from 1995 through 2000, where he previously served as Chief Financial Officer from 1991 through 1995. Mr. Bowman served as the Treasurer of the State of Michigan from 1983 through 1990, overseeing its fiscal policy, tax collections and the state's pension fund.

Chair: Audit Committee

Age: 59

Director since: April 2007

**Other boards:** Mr. Bowman serves as President of the Michigan Education Trust (the state's pre-paid tuition grant program). Mr. Bowman serves as a director of ViaSat Inc., an internet and communications service provider, and Vince Holding Corp., a diversified apparel company. Mr. Bowman served as a Director of Blockbuster, Inc. from 2003 to 2010, The Warnaco Group, Inc. from 2004 to 2013, and World Wrestling Entertainment, Inc. from 2003 to 2008.

Beneficial owner of 109,161 shares

**Key experience and qualifications:** Mr. Bowman brings relevant subject matter expertise from his role at MLB Advanced Media as well as from current and past board service at other companies. He brings strong business operations experience, and financial expertise as a former large company CFO, as well as financial and investment perspective from his tenure as Treasurer of the State of Michigan.

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**Michael Dornemann**

**Mr. Dornemann is an entertainment and marketing executive with more than 30 years of management consulting, corporate development, strategic advisory and media experience.** Prior to 2001, Mr. Dornemann was an executive board member of Bertelsmann AG for 16 years and Chairman and Chief Executive Officer of Bertelsmann Entertainment (music and television division, BMG and RTL Group). Before that, he held positions with IBM and Boston Consulting Group.

Lead Independent Director

Chair: Executive Committee

Member: Audit, Compensation and Corporate Governance Committees

Age: 68

Director since: March 2007

Beneficial owner of 33,382 shares

**Other boards:** Since 2001, Mr. Dornemann has served on several boards and currently serves as Chairman of Jet Set AG, a worldwide fashion company based in Switzerland; Vice-Chairman of Access Worldwide Communications; and as a director of Columbia Music Entertainment (CME) of Japan.

**Key experience and qualifications:** Mr. Dornemann's highly relevant leadership, management, marketing and consulting experience, including his role as Chief Executive Officer of Bertelsmann Entertainment, strongly qualifies him to provide effective leadership to the independent directors, and to contribute to all aspects of Board discussion and operations, including strong oversight of our management agreement with ZelnickMedia Corporation ( *ZelnickMedia* ). His accomplished history of service with fashion and entertainment companies, including as an outside director, provides an unusual level of insight into both our business and our governance.

**J Moses**

**Mr. Moses is a media executive with more than 30 years of experience in the television, radio, publishing, video game and digital media industries.** Mr. Moses is currently a consultant in the media industry in Southeast Asia and the United States and is the Founder and current President of Bagooba, a social media start up.

Independent Director

Chair: Corporate Governance Committee

Member: Compensation Committee

Age: 55

Director since: March 2007

Beneficial owner of 98,522 shares

**Prior executive roles:** From October 1998 through July 2009, Mr. Moses was the Chief Executive Officer of UGO Networks, Inc., an online publisher delivering information and entertainment for gamers. Mr. Moses, who co-founded UGO Networks, managed the sale of that company to the Hearst Corporation in August 2007. Prior thereto, Mr. Moses served as President of MTV Russia and oversaw the launch of MTV Networks in Russia in 1998. Mr. Moses also served as the President of BMG Interactive from 1992 to 1995, the former multimedia and new technologies division of BMG Entertainment.

**Other boards:** Mr. Moses serves on advisory boards to Simulmedia, Inc. and Flow Corp.

**Key experience and qualifications:** Mr. Moses provides insight based on vast media experience and leadership history, including his roles as CEO of UGO Networks, President of MTV Russia and President of BMG Interactive, and his deep understanding of the interactive entertainment industry and its opportunities.

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**Michael Sheresky**

**Mr. Sheresky is a motion picture talent agent at United Talent Agency.** In this role since June 2009, he is responsible for structuring projects and deals in the areas of motion picture and television development, production, and distribution.

Independent Director

Chair: Compensation Committee

Member: Corporate Governance Committee and Executive Committee

Age: 46

Director since: March 2007

Beneficial owner of 66,036 shares

**Prior professional roles:** From 1992 through 1995, and then from 1997 through May 2009, Mr. Sheresky held a number of positions at the William Morris Agency, a talent agency, most recently Senior Vice President in its Motion Picture Department. During that time, he represented authors, journalists, screenwriters, directors, producers and actors in the motion picture and television businesses.

**Key experience and qualifications:** Mr. Sheresky's entertainment experience as a talent agent is an important asset to the Board of Directors, including his particularly strong insight into the development and compensation of creative talent and of management.

**Susan Tolson**

**Ms. Tolson is a financial executive with more than 20 years' experience in the financial services industry. Ms. Tolson worked at Capital Research and Management Company and Capital Research Company,** subsidiaries of The Capital Group Companies, Inc., from 1990 to 2010. She served in various capacities, including Senior Vice President and Portfolio Manager. Before joining Capital Research, Ms. Tolson was an Investment Officer at Aetna Investment Management Company, making private investments in media and entertainment companies.

Independent Director

Member: Audit Committee

Age: 52

Director since: March 2014

Beneficial owner of 2,500 shares

**Other boards:** Ms. Tolson is a director of Groupe Lagardère (a global company operating in media, entertainment, sports and retail) and Worldline E-Payments Services (which focuses in e-payment transactional services). She also serves as a board member and audit committee member of the American Cinémathèque, a nonprofit cultural organization. She was a trustee and member of the business affairs committee of The American University of Paris until March 2013, where she served on the investment committee.

**Key experience and qualifications:** Ms. Tolson brings to the Board of Directors significant experience in entertainment and financial/investment matters from her previous positions, together with her existing current service as a director of both for profit and nonprofit organizations.

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**Strauss Zelnick**

**Mr. Zelnick has been Chairman of the Company since March 2007, Executive Chairman of the Company since February 2008 and Chief Executive Officer of the Company since January 2011.** Mr. Zelnick also is a partner in ZelnickMedia. Mr. Zelnick serves as Executive Chairman and Chief Executive Officer of the Company pursuant to the terms of the 2014 Management Agreement between the Company and ZelnickMedia. See Certain Relationships and Related Transactions Management Agreement.

Chairman and CEO

Member: Executive Committee

Age: 57

Director since: March 2007

Beneficial owner of 2,102,934 shares

**Prior executive roles:** Mr. Zelnick served as Executive Chairman of Direct Holdings Worldwide, Inc., the parent company of Time Life and Lillian Vernon, until the company was sold to Reader's Digest on March 2, 2007. Prior to forming ZelnickMedia, Mr. Zelnick was President and Chief Executive Officer of BMG Entertainment, a \$4.7 billion music and entertainment company with more than 200 record labels and operations in 54 countries. Mr. Zelnick's appointment as President and Chief Executive Officer of BMG Entertainment followed his tenure as President and Chief Executive Officer of BMG's North American business unit from 1994 through 1998. Before joining BMG Entertainment, Mr. Zelnick was President and Chief Executive Officer of Crystal Dynamics, a leading producer and distributor of interactive game software. Prior to that, he spent four years as President and Chief Operating Officer of 20th Century Fox, where he managed all aspects of its worldwide motion picture and distribution business. Previously, he spent three years at Vestron Inc. as a senior executive, and rose to become President and Chief Operating Officer. Mr. Zelnick also served as Vice President, International Sales, Television for Columbia Pictures.

**Other boards:** Mr. Zelnick currently serves as a board member of Starwood Property Trust, Inc., a public company. He also serves as non-executive Chairman of ITN Networks, and as a member of the boards of directors of Alloy, Inc. and Naylor LLC, all privately-held companies. Mr. Zelnick serves as Chairman of the Entertainment Software Association. Mr. Zelnick is also an associate member of the National Academy of Recording Arts and Sciences and served on the board of directors of the Recording Industry Association of America and the Motion Picture Association of America.

**Key experience and qualifications:** Mr. Zelnick provides the Company's Board of Directors with valuable insight in organization and management obtained from his experiences, including acting as Chairman and Chief Executive Officer of the Company.

**Other Executive Officers**

Each of the following executive officers, who are not also directors, will serve in such capacity until the next Annual Meeting of Shareholders or until earlier termination or removal from office.

**Lainie Goldstein**, age 46, has been Chief Financial Officer of the Company since June 2007. Ms. Goldstein also oversees Investor Relations. Prior to June 2007, Ms. Goldstein served as the Company's Senior Vice President of Finance beginning in November 2003.

Ms. Goldstein has over 20 years of financial and business experience in the software, entertainment, retail and apparel industries, including more than 13 years overseeing the finance functions of publicly traded companies. Before joining the Company in November 2003, Ms. Goldstein spent seven years in various finance positions with Nautica Enterprises, Inc., an apparel company, most recently as Vice President, Finance and Business Development. Ms. Goldstein is a certified public accountant, and, from 1990 until joining Nautica Enterprises, Inc., held positions in the audit and reorganization departments at Grant Thornton LLP.



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**Karl Slatoff**, age 44, became President of the Company in May 2013 and served as Chief Operating Officer of the Company from October 2010 through April 2013. From February 2008 to October 2010, Mr. Slatoff served as an Executive Vice President of the Company. Mr. Slatoff also is a partner in ZelnickMedia and serves as a director of Cannella Response Television, LLC.

Prior to joining ZelnickMedia in 2001, Mr. Slatoff served as Vice President, New Media for BMG Entertainment, where he was responsible for guiding BMG's online digital strategies, including the development of commercial digital distribution initiatives and new business models for the sale and syndication of online content. From 1994 to 1996, Mr. Slatoff worked in strategic planning at the Walt Disney Company, where he focused on the consumer products, studio and broadcast divisions, as well as several initiatives in the educational, publishing and new media sectors. From 1992 to 1994, Mr. Slatoff worked in the corporate finance and mergers and acquisitions units at Lehman Brothers where he focused on the consumer products and retail/merchandising industries.

*Meetings of Directors.* The Board of Directors holds regularly scheduled meetings during the year and holds additional meetings as necessary or desirable. During the fiscal year ended March 31, 2014 ( *fiscal 2014* ), the Board of Directors held fifteen (15) meetings. Each of the incumbent directors attended at least 75% in the aggregate of all meetings of the Board of Directors and committees on which the individual served for the period of his or her service in the fiscal year.

*Independent Directors.* The Board of Directors has determined that Messrs. Bowman, Dornemann, Moses and Sheresky and Ms. Tolson are independent directors as defined under the rules of The NASDAQ Stock Market. During fiscal 2014 the independent directors met in executive session (outside the presence of management) on six occasions.

*Board Structure.* The Board of Directors is led by Mr. Zelnick in his role as Executive Chairman. Mr. Zelnick is also the Chief Executive Officer. The Board also has designated a Lead Independent Director position to complement the Executive Chairman's role, and to serve as the principal liaison between the independent directors and the Executive Chairman. Mr. Dornemann serves as Lead Independent Director, which is described further below.

The Board of Directors regularly reviews its leadership structure. The Board has concluded that its leadership structure is the appropriate structure for the Company at this time. Specifically, the Board of Directors has determined that in light of the Company's clear strategy and the strength of its overall governance practices, a combined Chairman/CEO role will more effectively unify the Board and management around the specific initiatives to support the Company's strategy. The Board of Directors continues to evaluate Mr. Zelnick annually in each of his roles, and has retained the discretion to separate the Chairman/CEO roles at any time if the Board believes it would better serve the interests of the Company. The Board of Directors has also concluded that its Lead Independent Director position effectively balances any potential risk of concentration of authority that may exist with a combined Chairman/CEO position.

*Lead Independent Director.* The Lead Independent Director is responsible for presiding at all Board of Directors meetings at which the Chairman of the Board of Directors is not present, convening regular and special meetings of the independent directors, developing the agenda for executive sessions of the independent directors and working with the Chairman to develop the agenda for meetings of the full Board, coordinating feedback to the Chairman on behalf of the independent directors, and coordinating with the General Counsel of the Company to respond to shareholders who have addressed a communication to the independent directors. The Lead Independent Director meets separately with one or more of the Chief Executive Officer, the President, the Chief Financial Officer and the General Counsel approximately bi-weekly to discuss the business strategy of the Company in greater detail and provide additional guidance to such members of management. These meetings enable the Lead Independent Director to gain a deeper understanding of any matters being handled by management which should be brought to the attention of the entire Board of Directors or a committee thereof, as

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well as an opportunity to obtain additional information on any matters which the Lead Independent Director believes may otherwise be of interest to the other directors and to provide advice to the other directors regarding such matters. The Lead Independent Director generally attends the meetings of the Audit Committee, Compensation Committee and Corporate Governance Committee. Finally, the Lead Independent Director is responsible for handling any matters concerning an actual or potential conflict of interest involving any other director.

Mr. Dornemann serves as the Lead Independent Director and was designated by the Board of Directors as the Chairman of the Executive Committee.

*Board Committees.* The Board of Directors has three standing committees entirely comprised of independent directors, a Compensation Committee, a Corporate Governance Committee and an Audit Committee, each of which is governed by a written charter. The Board of Directors also has a standing Executive Committee, currently comprised of Messrs. Dornemann (Chair), Sheresky and Zelnick, which is also governed by a written charter. These written charters and the Company's Code of Business Conduct and Ethics are posted on the Company's website at [www.take2games.com](http://www.take2games.com) and can be accessed by clicking on Corporate, then Corporate Governance, then Highlights.

From time to time, the Board may form a special committee for a particular purpose. In fiscal 2014, the Board appointed a temporary special committee, composed only of independent directors, to lead the negotiation of a new management agreement with ZelnickMedia. The committee was comprised of Messrs. Sheresky, Dornemann, Icahn (through November 26, 2013 when he left the board), and Moses, who replaced Mr. Icahn.

*Compensation Committee.* The Company has established a Compensation Committee of the Board of Directors, currently consisting of Messrs. Sheresky (Chair), Dornemann and Moses, each of whom is an independent director under NASDAQ's Rule 5605, a non-employee director as defined under the SEC rules and an outside director as defined under Section 162(m) of the Internal Revenue Code (the *Code*). The function of the Compensation Committee, among other roles, is to review the compensation policies and procedures of the Company, evaluate and approve the executive officers' compensation and make recommendations to the Board of Directors regarding executive compensation. The Compensation Committee held six meetings during fiscal 2014.

*Corporate Governance Committee.* The Company has established a Corporate Governance Committee, currently comprised of Messrs. Moses (Chair), Dornemann and Sheresky. This committee is responsible, among other things, for creating and maintaining overall corporate governance policies for the Company and identifying, screening and recruiting director candidates for the Board of Directors. The Corporate Governance Committee held eight meetings during fiscal 2014.

The Corporate Governance Committee will consider nominees recommended by shareholders, provided that the recommendation contains sufficient information for the committee to assess the suitability of the candidate. Candidates recommended by shareholders that comply with these procedures will receive the same consideration that candidates recommended by the committee receive.

When selecting directors, the Board of Directors reviews and considers many factors, including experience, business understanding, achievement, available time, diversity, skills and independence. It also will consider ethical standards, integrity and any conflict of interest. It considers recommendations primarily from shareholders of the Company and from members of the Board of Directors and management. The Corporate Governance Committee conducts interviews with candidates who meet the criteria of the Board of Directors, and has full discretion in considering its nominations to the Board of Directors. The Board of Directors adopted Corporate Governance Guidelines, which include criteria to assess the suitability of candidates for the Board of Directors. These Corporate Governance Guidelines are posted on the Company's website at [www.take2games.com](http://www.take2games.com) and can be accessed by clicking on Corporate, then Corporate Governance, then Highlights.



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A shareholder wishing to nominate a candidate for election to the Board of Directors at the Company's Annual Meeting of Shareholders to be held in 2015 is required to give written notice of an intention to make such a nomination between May 19, 2015 and June 18, 2015. Such notice should be addressed to Take-Two Interactive Software, Inc., 622 Broadway, New York, New York 10012, Attention: Investor Relations.

The notice of nomination is required to contain information about both the nominee and the shareholder making the nomination, including information specific to the recommended candidate that is relevant to a determination of whether the recommended candidate would be considered independent under the applicable rules of The NASDAQ Stock Market. A nomination that does not comply with these requirements will not be considered.

*Audit Committee.* The Company has established an Audit Committee of the Board of Directors, currently comprised of Messrs. Bowman (Chair) and Dornemann and Ms. Tolson. The Audit Committee oversees the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. In addition, the Audit Committee assists the Board of Directors in its review and oversight of the Company's key investment objectives, strategies and policies. The Board of Directors has determined that Mr. Bowman and Ms. Tolson each qualify as an audit committee financial expert under federal securities laws. The Audit Committee held six meetings during fiscal 2014.

*Risk Oversight.* The Board of Directors exercises direct oversight of strategic risks to the Company. The Audit Committee reviews the Company's policies for risk assessment and risk management relating to financial reporting and internal controls and assesses steps management has taken to control such risks and exposures. The Compensation Committee oversees risks relating to compensation programs and policies. See Risk Assessment of Overall Compensation Program. The Governance Committee oversees operational risk relating to insurance, legal, digital and physical security. In each case management periodically reports to our Board or to the relevant committee, which provides guidance on risk appetite, assessment, and mitigation. Each committee charged with risk oversight reports to our Board on those matters.

*Code of Business Conduct and Ethics.* The Company has adopted a written Code of Business Conduct and Ethics that applies to directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer, principal accounting officer and controller and any person performing similar functions. A copy of the Code of Business Conduct and Ethics is posted on the Company's website at [www.take2games.com](http://www.take2games.com) and can be accessed by clicking on Corporate, then Corporate Governance, then Highlights.

*Conflict of Interest Guidelines for Directors / Directors Code of Conduct.* The Company has adopted a written Conflict of Interest Guidelines for Directors / Directors Code of Conduct that applies to directors of the Company. A copy of the Conflict of Interest Guidelines for Directors / Directors Code of Conduct is posted on the Company's website at [www.take2games.com](http://www.take2games.com) and can be accessed by clicking on Corporate, then Corporate Governance, then Highlights.

*Attendance at Shareholder Meetings.* The Board of Directors has adopted a policy whereby director nominees are strongly encouraged to attend the Company's annual meeting of shareholders. All five of our incumbent director nominees who were directors on the date of the last annual meeting of the Company's shareholders in September 2013 attended that annual meeting.

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**AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN  
AND THE RE-APPROVAL OF THE PERFORMANCE GOALS SPECIFIED THEREIN**

**(Proposal 2)**

**EXECUTIVE SUMMARY OF PROPOSAL**

<b><i>Summary of Proposal:</i></b>	To increase the share reserve under our 2009 Stock Incentive Plan by 5,000,000 shares of common stock and to expand the class of eligible participants to include all consultants. In addition, we seek re-approval of performance goals specified in the Plan (as defined below) for purposes of Section 162(m) of the Code.
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<b><i>Number of Shares Available for Grant:</i></b>	836,382 as of June 30, 2014
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<b><i>Number of Shares Subject to Outstanding Unvested RSUs:</i></b>	5,035,765 as of June 30, 2014
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<b><i>Number of Total Shares of Common Stock Outstanding:</i></b>	83,194,099 as of June 30, 2014
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***Uses of Equity Compensation:***

Equity is an essential tool to attract and retain highly-skilled creative talent, and it aligns the interests of creative employees with shareholders.

Our creative employees at our wholly-owned labels drive our business, are critical to our continued success, and help us build shareholder value.

Almost two-thirds of our employees work in our development studios and have technical capabilities to develop software titles for multiple platforms.

In fiscal 2014, 90% of equity awards were used to retain key creative talent.

On March 10, 2014, the Board reached a new management agreement with ZelnickMedia (the *2014 Management Agreement* ), pursuant to which ZelnickMedia received a restricted share unit grant on April 1, 2014.

If this grant to ZelnickMedia in fiscal 2015 were added to the fiscal 2014 awards chart above, the percentage of awards to employees of our Rockstar Games and 2K labels would be 84%, ZelnickMedia grants would represent 7%, and grants to others including non-ZelnickMedia NEOs and directors would be 9%.

Two-thirds of equity grants to our internal non-ZelnickMedia NEOs, and more than half of the equity grants to ZelnickMedia, are performance-based.

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***Burn Rate:***

In 2011, the Board made a commitment to limit the burn rate associated with our equity granting to an average of 7.26% over a three-year period (counting each restricted share unit as 2.5 times an option share).

In fiscal 2014, the Board made certain one-time special restricted unit grants to creative talent within the Company as part of long-term agreements that enabled the Company to secure key creative talent for an extended period. These grants were distributed broadly throughout the creative team. The opportunity to reach this agreement with critical talent within the Company was not foreseen at the time the Board made the burn rate commitment in 2011.

The Board determined that the fiscal 2014 grants to creative employees were critical to maintaining the creative industry leadership the Company has established, and which is a driver of sustained company performance and is a major factor in future shareholder value creation. These special grants caused us to exceed the 2011 burn rate commitment.

Inclusive of these special grants, our three-year average annual equity burn rate for the period ending March 31, 2014 was 12.35% (counting each restricted share unit as 2.5 times an option share); on a straight one-on-one basis, our average three-year burn rate was 4.94%. If these special grants were excluded from our burn rate calculation, we would have complied with the three-year average burn rate commitment as our three-year average burn rate, excluding special grants to creative talent in fiscal 2014, would have been 6.58%.

These creative talent grants may be settled in cash or equity. To date, the Board has determined shareholder value is best served by settling the grants in shares.

We also have moved to a more conservative share counting methodology that has depleted our reserve of shares available for grant.

We seek to manage our burn rate, and expect the present request for additional Plan shares to cover approximately two years of equity usage, for grants for fiscal 2014 performance and projected to be made for fiscal 2015 performance.

Given the broad use of equity incentives, the Board is sensitive to overall share dilution. This is among the reasons we actively re-purchase shares, and during fiscal 2014 our total shares outstanding decreased due to share repurchases.

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We actively manage our equity-based compensation to balance retaining talented employees and limiting annual shareholder dilution by, among other things, staggering the vesting of equity awards:

	Fiscal Year	Shares Granted	Shares Vested
	Fiscal 2012	2,970,000	2,439,000
	Fiscal 2013	4,581,000	1,867,000
	Fiscal 2014	8,035,000	3,863,000

**Certain Plan Highlights:**

Limits on awards to individual participants

No evergreen provision for share reserve

Conservative share counting provisions

No repricing of stock options without shareholder approval

No discounted stock options or SARs

Clawback provisions included

Non-liberal change in control provisions

No automatic grants

New double trigger acceleration of equity vesting on a change of control for future grants

Dividends on future performance-based awards do not vest and are not paid until the performance award is earned and vested.

At the Annual Meeting, the Company's shareholders will be asked to approve certain amendments to the Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan (as amended, the *Plan*). The amendments were approved unanimously by the Board of Directors at its meeting on July 23, 2014. We propose to:

1. Increase the available shares reserved under the Plan by 5,000,000 shares;
2. To expand the class of eligible participants to include all consultants; and
3. To re-approve the performance goals under the Plan for purposes of Section 162(m) of the Code so that certain awards granted under the Plan may continue to qualify as performance-based compensation under Section 162(m) of the Code.

No other changes to the Plan that are subject to shareholder approval are contemplated by the proposed amendments to the Plan. In July 2014, the Board amended certain other elements of the Plan that did not require shareholder approval, including to: provide that dividends on performance-based awards will not vest and will not be paid until the performance award is earned and vests; change the single trigger change in control provision to a double trigger provision, requiring both a change of control and separation of employment for acceleration of equity awards granted in the future; and to specifically provide that awards under the Plan are subject to the Company's clawback policy.

Approved by shareholders in 2009, the Plan is designed to enable the Company to offer eligible employees, consultants and non-employee directors stock-based incentives in the Company to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's shareholders.

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### **Amendment to Add 5 Million Shares to the Plan**

The amendments to the Plan include increasing the number of shares issuable under the Plan by 5,000,000 shares. This increase is warranted due to a number of factors: significant equity awards that were granted in fiscal 2014 in connection with the Company's agreements to retain and incentivize key creative talent on a long-term basis; a change in the manner in which the Company counts shares available for grant under the Plan; and additional incentive awards the Company has made or anticipates making, which management believes would be best settled in common stock to most closely align the interests of shareholders, management, and Company employees.

More specifically:

In fiscal 2014, the Company negotiated long-term agreements with key creative talent that significantly enhanced the retention of these employees. In connection with these agreements to secure its key creative talent for the long-term, the Company issued special one-time grants in an aggregate amount of 5,854,650 restricted units that vest over an extended period. During fiscal 2014, 90% of all equity awards were made in connection with long-term retention of key creative talent.

After fiscal 2014, the Compensation Committee reviewed the manner in which it counts shares available for grant under the Plan. Previously, grants of certain restricted units have been deemed to reduce the number of available shares when they vest and are settled in shares of common stock. However, the Committee has now determined that from fiscal year 2015 forward, such restricted units will be deemed to reduce the number of shares available under the Plan immediately upon grant. As a result, 4,351,379 restricted units that were granted in fiscal year 2014 but have not yet vested have now been deducted from the Company's count of available shares under the Plan. The number of shares described in our Form 10-K for fiscal 2014 as available for grant under the Plan as of March 31, 2014 was 4,693,544; as a result of this change we now consider the number of shares available for grant as of March 31, 2014 to be 373,715. As of June 30, 2014, due primarily to forfeitures of awards, we now consider the number of shares available for grant to be 836,382.

During fiscal year 2015, the Company anticipates issuing additional equity to our employees as retention and performance incentive awards. See *Future Plan Awards*. On the April 1, 2014 effective date of the 2014 Management Agreement, the Company granted to ZelnickMedia certain restricted units that may be settled in cash or, upon approval of the Company's shareholders (described below), in common stock (See *Certain Relationships and Related Transactions Management Agreement Restricted Unit Awards, Time-Based Award, and Performance-Based Award*).

The ability of the Company to issue new equity awards under the Plan to employees during fiscal 2015 and to settle the restricted unit awards that were issued to ZelnickMedia during fiscal 2015 (*ZelnickMedia Grants*) in shares is conditioned upon shareholder approval of the amendments to the Plan. In particular, we must obtain shareholder approval to increase the number of shares available to grant under the Plan; otherwise the Plan will not have sufficient capacity and the Company will be required to settle such grants in cash. We must also obtain shareholder approval to include all consultants, including those that are entities, as eligible participants under the Plan, as discussed below, to enable the ZelnickMedia Grants to be settled in common stock. (See *Amendment to Expand Class of Eligible Participants*.)

As of June 30, 2014, there were 836,382 shares available for grant under the Plan. If shareholders do not approve the amendments to the Plan, the amendments will not take effect, but the Company may continue to grant awards under the Plan in accordance with the current terms and conditions to the extent that shares become available for grant in the future (generally as a result of cancellation, expiration or termination of awards, as discussed below). However, as noted above, the Company does not anticipate that sufficient shares will be available for significant long-term stock-based incentive grants to employees if the amendments are not approved by the Company's shareholders.



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### **Amendment to Expand Class of Eligible Participants**

The amendments to the Plan include an expansion of the class of eligible participants in the Plan to include all consultants, including those that are entities. Consultants who are natural persons are currently permitted to participate in the Plan. The Board of Directors believes that there are significant benefits to the Company and our shareholders by aligning the performance incentives of certain of the Company's consultants, whether individuals or entities, with those of our employees, non-employee directors and shareholders. Including consultants that are entities as eligible participants in the Plan accomplishes this alignment. In addition, under the 2014 Management Agreement, the Company is required to obtain shareholder approval of this amendment in order to have the right to elect to settle the restricted units granted on April 1, 2014 to ZelnickMedia in shares of the common stock issued pursuant to the Plan. If the Proposal is not approved, the restricted units granted to ZelnickMedia will be settled solely in cash.

### **Burn Rate Disclosure**

As disclosed in our Proxy Statement for the 2013 Annual Meeting, in order to address potential shareholder concerns regarding the number of options, stock appreciation rights (SARs) or other stock awards granted in a given year, the Board committed to our shareholders that during the three-year period ending on March 31, 2014, it would not grant shares subject to options, SARs or other stock awards to Plan participants at an average rate greater than 7.26% of the weighted-average number of shares of our common stock that we believed would be outstanding over such three-year period. For purposes of calculating the Company's compliance with this commitment, the Company's burn rate is generally calculated by dividing the total number of shares granted in a given fiscal year, divided by the weighted-average number of shares of common stock outstanding for such year. In addition, for purposes of calculating the number of shares granted in a fiscal year with respect to this commitment, stock awards are counted as equivalent to 2.5 option shares, and awards that may be settled in cash or shares of common stock are counted as stock awards, notwithstanding that they may eventually be settled in cash.

While we have worked to actively manage our share usage of common stock available for equity-based compensation each year to maintain an acceptable burn rate, and have historically been in compliance with our burn rate commitments, the Company in fiscal 2014 made certain one-time special incentive grants to retain and incentivize key creative talent for an extended period. These grants resulted in the Company exceeding the burn rate commitment, with a three-year average annual equity burn rate of 12.35% (counting each restricted unit as 2.5 times an option share). These special grants to retain and incentivize key creative talent, which may be settled in cash or in shares of common stock at the Company's election, are counted as stock awards for purposes of calculating burn rate. The Company's excess burn rate is wholly attributable to these grants, and if such were to be excluded from our burn rate calculation, we would have a compliant three-year average annual equity burn rate of 6.58%.

The fiscal 2014 burn rate exceeds levels the Board of Directors anticipated. However, the Board believed that the opportunity to lock up key creative talent for an extended period was of paramount importance to long-term shareholder value. The Board is committed to managing potential dilution and to optimizing the use of equity in employee compensation to maximize long-term shareholder value. Burn rate and equity dilution calculations for fiscal 2014 were also impacted by the significant share repurchases we completed this year. Through share repurchases, we reduced our overall number of shares outstanding, which resulted in a higher burn rate and dilution calculation than if we had not repurchased shares and our number of shares outstanding remained constant.

In early fiscal 2015, the Compensation Committee moved to a more conservative share counting methodology that has effectively depleted our reserve of shares available for grant, based on this new methodology. We expect the shares requested in this proposal to cover approximately two years of grants, including settlement in shares of units granted for fiscal 2014 performance and anticipated to be granted for fiscal 2015 performance.

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### **Alignment of the Plan with the Interests of the Company and Shareholders**

More generally, use of equity to retain and motivate the Company's key creative talent is critical to the Company's long-term goals. Affording the Company's employees, consultants and non-employee directors the benefits of the Plan serves the following critical interests of the Company and its shareholders:

*Allows us to recruit and retain top talent.* The Board of Directors believes that the proposed increase in the shares available under the Plan will serve a critical role in attracting and retaining high caliber individuals essential to the Company's success.

*Allows us to align participant and shareholder interests.* The Board of Directors believes that stock ownership by employees, consultants and non-employee directors provides performance incentives and fosters long-term commitment to our benefit and to the benefit of our shareholders.

*Allows us to pay for performance.* The Board of Directors believes that equity compensation, by its very nature, is performance-based compensation, and that the Plan reflects our pay-for-performance philosophy and motivates our employees, consultants and non-employee directors to enhance our growth and profitability.

*Allows us to secure tax deductions for awards to certain executives.* As discussed below, the Plan allows us to grant qualified performance-based equity-based awards to certain executives that are fully deductible under Section 162(m) of the Code. In addition, the Board of Directors believes that the Plan contains several key features that enhance our commitment to our shareholders long-term interests and sound corporate governance. For example, the Plan:

*Limits awards to individual participants.* The Plan contains limits on the number of awards that may be granted to individual participants in a given fiscal year, as discussed below.

*Provides for a fixed reserve of shares of Common Stock.* The Plan does not contain an evergreen provision so that shareholder approval is required to issue any additional shares, allowing our shareholders to have direct input on our equity compensation program.

*Includes conservative share counting provisions.* We may not add back shares tendered to pay the exercise price of an award or shares withheld for payment of taxes with respect to awards.

*Provides for limited terms.* The Plan sets a 10-year maximum term for stock options and SARs and will terminate on April 23, 2019.

*Prohibits stock option repricing.* The Plan prohibits the repricing of stock options and SARs without prior shareholder approval.

*Prohibits discounted stock options or SARs.* The Plan requires the exercise price of stock options and SARs to be not less than the fair market value of our common stock on the date of grant.

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*Double trigger for acceleration of vesting on a change in control.* Accelerated vesting requires both a qualified termination of the employee as well as a change of control.

*Dividend or dividend equivalents are subject to same vesting restrictions as underlying awards.* Dividends on future performance-based awards do not vest and are not paid until the performance award is earned and vested.

*Prohibits certain detrimental activities by participants.* The Plan provides that certain awards will be subject to forfeiture or recovery in the event that a participant engages in detrimental activities, as discussed below.

*Non-Liberal Change of Control provisions.* The definition of change of control in the Plan requires the consummation of an actual transaction so that no change of control vesting acceleration may occur without an actual change of control transaction occurring.

*No automatic grants.* The Plan does not provide for automatic grants to any participant.

*Independent Compensation Committee.* Our Compensation Committee consists of entirely independent directors.

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**Re-Approval of Performance Goals**

In addition to the amendments, the Company is requesting that shareholders re-approve the performance goals under the Plan, so that certain awards granted under the Plan may continue to qualify as performance-based compensation under Section 162(m) of the Code. Section 162(m) of the Code generally does not allow public companies to take a federal income tax deduction for compensation in excess of \$1 million paid to the chief executive officer or any of the three other highest-paid executive officers (other than the chief financial officer) employed at the end of that company's fiscal year unless such compensation qualifies as performance-based compensation. In general, to qualify as performance-based compensation, the material terms of the performance goals under the Plan must be disclosed to, and approved by, the Company's shareholders no later than the first meeting of the Company's shareholders that occurs in the fifth year following the year the performance goals were last approved by the shareholders. Shareholders last approved the Plan's performance goals in 2009.

In order to preserve the Company's ability to receive a federal income tax deduction for performance-based compensation awarded under the Plan, the Company is seeking shareholder re-approval of the performance goals under the Plan. If shareholders do not re-approve the performance goals under the Plan as described above, the Company will not be able to grant awards under the Plan that qualify as performance-based for purposes of Section 162(m) of the Code, although awards of any stock options and stock appreciation rights will continue to qualify as exempt performance-based compensation under Section 162(m) of the Code. As a result, we expect that the Company will lose a tax deduction for certain years if, and to the extent that, a covered employee receives non-performance based compensation for that year in excess of the \$1 million deduction limit. The loss of such tax deductions would likely result in the Company paying more taxes in those years. Accordingly, the Board of Directors believes it is important to have the ability to grant incentive compensation that qualifies as performance-based compensation in order to retain the corporate tax deductibility of the payments and urges shareholders to re-approve the performance goals under the Plan.

The following description of the Plan, as amended by the amendments to the Plan, is a summary and is qualified in its entirety by reference to the amended and restated Plan, a copy of which is attached as **Annex A** to this Proxy Statement.

**Administration.** The Plan is administered by a committee (the *Committee*) which, with respect to eligible employees and consultants, will be the Compensation Committee, or such other committee or subcommittee of the Board of Directors appointed from time to time by the Board of Directors, consisting of two or more non-employee directors, each of whom is intended to be, to the extent required, a non-employee director as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the *Exchange Act*), an outside director as defined under Section 162(m) of the Code and an independent director for the purposes of the applicable stock exchange rules. The Board of Directors will be the Committee with respect to the application of the Plan to non-employee directors.

Generally, the Committee has full authority to administer and interpret the Plan, to grant discretionary awards under the Plan, to delegate authority to others or other committees, and to determine:

the persons to whom awards will be granted;

the types of awards to be granted;

the terms and conditions of each award;

the number of shares of common stock to be covered by each award;

when an award may be granted (however, awards may be granted only during the 45-day period following the filing of a quarterly report by the Company or the 30-day period following the filing of the Company's annual report, or immediately prior to a change in control that occurs outside of such periods); and

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all other matters arising in connection with the Plan and the awards thereunder as the Committee, in its sole discretion, deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

The terms and conditions of individual awards will be set forth in written agreements that are consistent with the terms of the Plan. Awards under the Plan may not be made on or after the tenth anniversary of the Plan's adoption by the Board of Directors, except that awards (other than any stock options or SARs) that are intended to be performance-based under Section 162(m) of the Code will not be made after the fifth anniversary of the date of the last approval by the Company's shareholders of the performance goals set forth in the Plan.

***Eligibility and Types of Awards.*** All employees and consultants of the Company and its affiliates as well as non-employee directors of the Company are eligible to be granted nonqualified stock options, SARs, restricted stock and other stock-based awards. If the amendments to the Plan are approved by shareholders, consultants that are entities will also be eligible to participate in the Plan. In addition, the Company's employees and employees of the Company's affiliates that qualify as subsidiaries or parent corporations (as defined under Section 424 of the Code) are eligible to be granted incentive stock options under the Plan. As of the date of this proposal, approximately 747 employees are eligible to participate in the Plan.

***Available Shares.*** As of June 30, 2014, 836,382 shares of common stock were available for issuance or for reference purposes under the Plan, subject to adjustment as provided in the Plan. As explained in more detail in the introduction to this Proposal 2, the number of available shares decreased to 836,382 from the number reported in our Form 10-K for fiscal 2014 (4,693,544) because starting in fiscal year 2015, the Committee chose to count certain restricted units against the shares available under the Plan in full on the grant date, rather than incrementally as each tranche vests and is settled in shares of common stock.

If the proposed amendments to the Plan are approved by shareholders, an additional 5,000,000 shares of our common stock will be available for future issuance under the Plan. If the proposed amendments to the Plan are not approved by shareholders, the Company will not be able to settle all of the 619,490 restricted units granted to ZelnickMedia (at maximum level of achievement), the grant of 87,595 time-based and performance-based restricted units (at maximum level of achievement) to Ms. Goldstein, as described in the New Plan Benefits table below, or the 1,687,842 new equity awards (at maximum level of achievement) under the Plan pending or expected to be granted to employees (other than Ms. Goldstein) during fiscal 2015, as described in the New Plan Benefits table below, in shares of common stock, because the Plan will lack sufficient available shares. Instead, the Company will be required to settle these awards in cash, and will issue any future awards as cash units, to be settled only in cash.

Awards of common stock under the Plan may be either authorized and unissued shares of common stock or shares of common stock held in treasury by the Company. In general, if awards under the Plan are cancelled, expire or terminate unexercised for any reason, the shares covered by such awards will be available again for the grant of awards under the Plan. The number of shares of common stock available for awards under the Plan will be reduced by the total number of stock options or SARs exercised (regardless of whether the shares of common stock underlying such awards are actually issued as the result of net settlement), any shares of common stock used to pay any exercise price or tax withholding obligation with respect to any award, and any shares of common stock repurchased in the open market with the proceeds of a stock option exercise. The closing price of the common stock on the NASDAQ on July 15, 2014, was \$22.32 per share.

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The following share limits apply under the Plan with respect to awards granted during any given fiscal year:

<b>Type of Award</b>	<b>Share Limit Per Year</b>
Awards subject to the attainment of performance goals and intended to satisfy Section 162(m) of the Code	1,000,000 shares per type of award per participant  4,000,000 shares per participant for all types of awards in the aggregate
Awards of restricted stock not subject to the attainment of specified performance goals	No limit
Nonqualified stock options, SARs, shares of restricted stock and other stock-based awards to non-employee directors	50,000 shares per type of award per director  100,000 shares per director for all types of awards in the aggregate

The Committee will adjust the above individual maximum share limitations, the aggregate number of shares of common stock available for the grant of awards and the exercise price of an award to reflect certain changes in the Company's capital structure or business by reason of certain corporate transactions or events as provided in the Plan.

***Awards Under the Plan.*** The following types of awards are available under the Plan:

**Stock Options.** The Committee may grant incentive stock options (only to eligible employees) and nonqualified stock options to purchase shares of common stock. The Committee will determine the number of shares of common stock subject to each option, the term of each option (which may not exceed 10 years (or five years in the case of an incentive stock option granted to a 10% shareholder)), the exercise price, the vesting schedule (if any), and the other material terms of each option. No stock option may have an exercise price less than the fair market value of the common stock at the time of grant (or, in the case of an incentive stock option granted to a 10% shareholder, 110% of fair market value). Unless otherwise determined by the Committee at the time of grant, (i) stock options are subject to termination if prior to exercise the recipient engages in certain defined types of detrimental activity, and (ii) if the recipient engages in detrimental activity during the one-year period following the later of the date the stock option is exercised and the date the stock option becomes vested, the Company may recover at any time within the one-year period following such date, and upon request the recipient will pay to the Company, an amount equal to any gain realized as a result of the exercise (collectively, the *Detrimental Activity Provisions* ).

Options will be exercisable at such time or times and subject to such terms and conditions as determined by the Committee at the time of grant, and the exercisability of such options may be accelerated by the Committee in its sole discretion. Upon the exercise of an option, the participant must make payment of the full exercise price, either (i) in cash, check, bank draft or money order; (ii) solely to the extent permitted by law, through the delivery of irrevocable instructions to a broker reasonably acceptable to the Company to deliver promptly to the Company an amount equal to the purchase price; or (iii) on such other terms and conditions as may be acceptable to the Committee.

**Stock Appreciation Rights.** The Committee may grant SARs either with a stock option, which SARs may be exercised only at such times and to the extent the related option is exercisable ( *Tandem SARs* ), or independent of a stock option ( *Non-Tandem SARs* ). A SAR is a right to receive a payment in common stock or cash (as determined by the Committee) equal in value to the excess of the fair market value of one share of common stock on the date of exercise over the exercise price per share established in connection with the grant of the SAR. The exercise price per share covered by a SAR will be the exercise price per share of the related option in the case of a Tandem SAR and will be no less than the fair market value of the common stock on the date of grant in the case of a Non-Tandem SAR. The Committee may also grant limited SARs, either as Tandem SARs or Non-Tandem SARs, which become exercisable only upon the occurrence of a change in control of the Company or such other event as the Committee may, in its sole discretion, designate at the time of grant or thereafter. Unless otherwise determined by the Committee at the time of grant, SARs are subject to the Detrimental Activity Provisions.

**Restricted Stock.** The Committee may award shares of restricted stock. Except as otherwise provided by the Committee upon the award of restricted stock, the recipient generally has the rights of a shareholder with respect

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to the shares, including the right to receive dividends, the right to vote the shares of restricted stock and, conditioned upon full vesting of shares of restricted stock, the right to tender such shares in the event of a merger, recapitalization, reorganization or similar event involving the Company, subject to the conditions and restrictions generally applicable to restricted stock or specifically set forth in the recipient's restricted stock agreement. The Committee may determine at the time of grant that the payment of dividends, if any, will be deferred until the expiration of the applicable restriction period, and, except as otherwise provided by the Committee in an award agreement, the payment of dividends with respect to shares of restricted stock that are earned or vest based on the attainment of performance goals will be withheld, without interest, for the recipient's account, and will be subject to forfeiture to the same degree as the underlying shares of restricted stock.

Recipients of restricted stock are required to enter into a restricted stock agreement with the Company that states the restrictions to which the shares are subject, which may include satisfaction of pre-established performance goals and the criteria or date or dates on which such restrictions will lapse.

If the grant of restricted stock or the lapse of the relevant restrictions is based on the attainment of performance goals, the Committee will establish for each recipient the applicable performance goals, formulas or standards and the applicable vesting percentages with reference to the attainment of such goals or satisfaction of such formulas or standards while the outcome of the performance goals is substantially uncertain. Such performance goals may incorporate provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar events or circumstances. Section 162(m) of the Code requires that performance awards be based upon objective performance measures. The performance goals for performance-vesting restricted stock will be based on one or more of the objective performance goals discussed below.

***Other Stock-Based Awards.*** The Committee may, subject to limitations under applicable law, make a grant of such other stock-based awards (including, without limitation, performance units, dividend equivalent units, stock equivalent units, restricted stock units and deferred stock units) under the Plan that are payable in cash or denominated or payable in or valued by shares of common stock or factors that influence the value of such shares. The Committee will determine the terms and conditions of any such other awards, which may include the achievement of certain minimum performance goals for purposes of compliance with Section 162(m) of the Code and/or a minimum vesting period. The performance goals for other stock-based awards will be based on one or more of the objective performance goals discussed below. Except as otherwise provided by the Committee in an award agreement, the payment of dividends or dividend equivalents with respect to an award that is earned or vests based on the attainment of performance goals will be withheld, without interest, for the recipient's account, and will be subject to forfeiture to the same degree as the underlying award.

***Performance Goals.*** The following is a list of the performance goals from which the Committee may select in establishing the grant, vesting and/or payment provisions of awards intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code, to be applied, where applicable and in the discretion of the Committee, on a Company-wide, divisional, or individual basis:

earnings per share, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization;

gross profit or gross profit return on investment;

gross margin or gross margin return on investment;

operating income, operating profit margin, net income, cash flow or economic value added;

revenue growth;

working capital;

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specified objectives with regard to limiting the level of increase in all or a portion of the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee;

return on equity, assets or capital;

return on invested capital;

net revenues;

gross revenues;

total shareholder return;

fair market value of the shares of the common stock;

the growth in the value of an investment in the common stock assuming the reinvestment of dividends; and

reduction in expenses.

To the extent permitted by law, the Committee may also exclude, or make adjustments to reflect, the impact of an event or occurrence that the Committee determines should be appropriately excluded or a cause for adjustment, including:

restructurings, discontinued operations, extraordinary items or events and other unusual or non-recurring charges;

events either not directly related to the operations of the Company or not within the reasonable control of the Company's management; and

changes in tax law or a change in accounting standards required by generally accepted accounting principles.

***Change in Control.*** With respect to any award granted on or after July 2014, no employment agreement or award agreement may provide that the vesting, payment, purchase or distribution of an award will be accelerated by reason of a change in control of the Company for any Plan participant unless the participant's employment is involuntarily terminated within the one-year period following such change in control. With respect to any award granted prior to July 2014, unless otherwise determined by the Committee at the time of grant, in a written employment agreement, or by an affirmative vote of a majority of the members of the Board of Directors prior to the occurrence of a change in control of the Company, awards subject to vesting and/or restrictions will accelerate and vest, or restrictions will lapse, upon a change in control of the Company. In addition, in the discretion of the Committee, awards may be (i) assumed and continued or substituted in accordance with applicable law, (ii) purchased by the Company for an amount equal to the price of the common stock paid in a change in control (less the aggregate exercise price of the awards) (or cancelled and extinguished pursuant to the terms of a merger or other purchase agreement), or (iii) cancelled if the price of the common stock paid in a change in control is less than the exercise price of the award. The Committee may also, in its sole discretion, provide for accelerated vesting or lapse of restrictions of an award at any time.



***Amendment and Termination.*** Notwithstanding any other provision of the Plan, the Board of Directors or the Committee may at any time amend any or all of the provisions of the Plan, or suspend or terminate it entirely, retroactively or otherwise; *provided, however*, that unless otherwise required by law or specifically provided in the Plan, the rights of a participant with respect to awards granted prior to such amendment, suspension or termination may not be materially impaired without the consent of such participant and, *provided, further*, that the effectiveness of any amendment is subject to the approval of our shareholders to the extent required by Delaware law, Section 162(m) or 422 of the Code, or the rules of the applicable stock exchange, as specified in the Plan.

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**Clawback/Recoupment Policy.** All awards granted under the Plan are subject to any incentive compensation clawback or recoupment policies of the Company in effect or as may be amended or adopted from time to time.

**Miscellaneous.** Awards granted under the Plan are generally nontransferable (other than by will or the laws of descent and distribution), except that the Committee may provide for the transferability of nonqualified stock options at the time of grant or thereafter to certain family members.

**Certain U.S. Federal Income Tax Consequences.** The rules concerning the federal income tax consequences with respect to options granted and to be granted pursuant to the Plan are quite technical. Moreover, the applicable statutory provisions are subject to change, as are their interpretations and applications which may vary in individual circumstances. Therefore, the following is designed to provide a general understanding of the federal income tax consequences. In addition, the following discussion does not set forth any gift, estate, social security or state or local tax consequences that may be applicable, and such discussion is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the U.S., other than those individuals who are taxed on a residence basis in a foreign country.

**Incentive Stock Options.** In general, an employee will not realize taxable income upon either the grant or the exercise of an incentive stock option and the Company will not realize an income tax deduction at either such time. In general, however, for purposes of the alternative minimum tax, the excess of the fair market value of the shares of common stock acquired upon exercise of an incentive stock option (determined at the time of exercise) over the exercise price of the incentive stock option will be considered income. If the recipient was continuously employed on the date of grant until the date three months prior to the date of exercise and such recipient does not sell the common stock received pursuant to the exercise of the incentive stock option within either (i) two years after the date of the grant of the incentive stock option or (ii) one year after the date of exercise, a subsequent sale of the common stock will result in long-term capital gain or loss to the recipient and will not result in a tax deduction to the Company.

If the recipient is not continuously employed on the date of grant until the date three months prior to the date of exercise or such recipient disposes of the common stock acquired upon exercise of the incentive stock option within either of the above-mentioned time periods, the recipient will generally realize as ordinary income an amount equal to the lesser of (i) the fair market value of the common stock on the date of exercise over the exercise price and (ii) the amount realized upon disposition over the exercise price. In such event, subject to the limitations under Sections 162(m) and 280G of the Code (as described below), we will generally be entitled to an income tax deduction equal to the amount recognized as ordinary income. Any gain in excess of such amount realized by the recipient as ordinary income would be taxed at the rates applicable to short-term or long-term capital gains (depending on the holding period).

**Nonqualified Stock Options.** A recipient will not realize any taxable income upon the grant of a nonqualified stock option, and the Company will not receive a deduction at the time of such grant unless such option has a readily ascertainable fair market value (as determined under applicable tax law) at the time of grant. Upon exercise of a nonqualified stock option, the recipient will generally realize ordinary income in an amount equal to the excess of the fair market value of the common stock on the date of exercise over the exercise price. Upon a subsequent sale of the common stock by the recipient, the recipient will recognize short-term or long-term capital gain or loss depending upon the individual's holding period for the common stock. Subject to the limitations under Sections 162(m) and 280G of the Code (as described below), the Company will generally be allowed a deduction equal to the amount recognized by the recipient as ordinary income.

**All Options.** With regard to both incentive stock options and nonqualified stock options, the following also apply: (i) any of our officers and directors subject to Section 16(b) of the Exchange Act may be subject to special tax rules regarding the income tax consequences concerning their stock options, (ii) any entitlement to a tax deduction on the part of the Company is subject to the applicable tax rules (including, without limitation, Section 162(m) of the Code regarding the \$1 million limitation on deductible compensation), and (iii) in the event that the exercisability or vesting of any award is accelerated because of a change in control, payments

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relating to the awards (or a portion thereof), either alone or together with certain other payments, may constitute parachute payments under Section 280G of the Code, which excess amounts may be subject to excise taxes and may be nondeductible by the Company.

In general, Section 162(m) of the Code denies a publicly held corporation a deduction for federal income tax purposes for compensation in excess of \$1 million per year per person to its chief executive officer and the three highest compensated executive officers whose compensation is disclosed in its proxy statement other than the chief financial officer (or, if fewer, the number of executive officers whose compensation is disclosed in its proxy statement other than the chief executive officer and chief financial officer), subject to certain exceptions. Options will generally qualify under one of these exceptions if they are granted under a plan that has been approved by shareholders, is administered by a committee of outside directors, and states the maximum number of shares with respect to which options may be granted to any recipient during a specified period. The Plan is intended to satisfy these requirements with respect to options.

The Plan is not subject to any of the requirements of the Employee Retirement Income Security Act of 1974, as amended. The Plan is not, nor is it intended to be, qualified under Section 401(a) of the Code.

***Future Plan Awards.*** In addition to the awards already granted and outstanding pursuant to the Plan, the restricted units detailed in the New Plan Benefits table below include the grants that will be granted to our executives, non-employee directors and employees pursuant to the Plan, conditioned upon the approval by our shareholders of the proposed amendments to the Plan. In the event that the proposed amendments to the Plan are approved, the Company will have the right to elect to settle such restricted units in shares of common stock that will be issued pursuant to the Plan. If the proposed amendments are not approved, such restricted units will be settled solely in cash to the extent shares are not available for grant.

In addition, pursuant to the 2014 Management Agreement, the Company has granted the following ZelnickMedia Grants: 178,654 time-based restricted units (determined by dividing \$3,850,000 by the average of the closing prices of the common stock for each trading day during the 10 trading day period immediately prior to April 1, 2014), and a maximum number of 440,836 performance-based restricted units (determined by dividing \$4,750,000 by the average of the closing prices of the common stock for each trading day during the 10 trading day period immediately prior to April 1, 2014) to ZelnickMedia. (See Certain Relationships and Related Transactions Management Agreement Restricted Unit Awards, Time-Based Award, and Performance-Based Award. ) The target number of performance-based restricted units that may be earned pursuant to the grant is 220,418. In the event that the proposed amendments to the Plan are approved, the Company will have the right to elect to settle the restricted units granted to ZelnickMedia pursuant to the 2014 Management Agreement in shares of common stock that will be issued pursuant to the Plan. If the proposed amendments are not approved, the restricted units will be settled solely in cash.

**Table of Contents****New Plan Benefits****2009 Stock Incentive Plan**

<b>Name and Position</b>	<b>Dollar Value of Time-Based Restricted Units to be Granted(3)</b>	<b>Number of Time-Based Restricted Units to be Granted</b>	<b>Dollar Value of Performance-Based Restricted Units to be Granted (Maximum)(4)</b>	<b>Number of Performance-Based Restricted Units to be Granted (Maximum)</b>
Strauss Zelnick(1)				
<i>Executive Chairman and Chief Executive Officer</i>				
Karl Slatoff(1)				
<i>President</i>				
Lainie Goldstein	\$ 389,623	17,519	\$ 1,558,490	70,076
<i>Chief Financial Officer</i>				
Seth Krauss(2)				
<i>Former Executive Vice President and General Counsel</i>				
Executive Group	\$ 389,623	17,519	\$ 1,558,490	70,076
Non-Employee Director Group				
Non-Executive Officer Employee Group	\$ 22,810,678	1,025,660	\$ 14,726,927	662,182

(1) In connection with their provision of services to the Company pursuant to the 2014 Management Agreement, the actual amount of restricted units received by Messrs. Zelnick and Slatoff is determined in the sole discretion of ZelnickMedia and without the Company's knowledge; *provided*, that under the 2014 Management Agreement, no more than 60% of the aggregate compensation paid to ZelnickMedia pursuant to the 2014 Management Agreement may be received by or conveyed to Mr. Zelnick and no more than 40% of the aggregate compensation paid to ZelnickMedia pursuant to the 2014 Management Agreement may be received by or conveyed to Mr. Slatoff.

(2) Mr. Krauss departed from the Company to pursue a new career opportunity, effective June 27, 2014.

(3) Determined by multiplying the closing price of our common stock on June 30, 2014 by the number of time-based restricted units granted.

(4) Represents potential payments at maximum level of achievement, determined by multiplying the closing price of our common stock on June 30, 2014 by the maximum number of performance-based restricted units granted. Depending on actual performance, payments could range from zero to 100% of the amounts shown, with 50% of the amounts shown paid at target level of achievement.

We anticipate that other equity-based awards may be granted at the Committee's discretion under the Plan from the additional shares of common stock to be reserved for issuance in connection with the approval of the proposed amendments to the Plan; however, the number of shares of common stock that may be so granted will be based upon various prospective factors, including the nature of services to be rendered by our employees, officers, non-employee directors and consultants, and their potential contributions to our success. Accordingly, the number, type and grantee(s) of actual future awards cannot be determined at this time.

**Equity Compensation Plan Information**

The following table presents information concerning our equity compensation plans as of March 31, 2014:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)(2)</b>	<b>Weighted-Average Remaining Contractual Life of Outstanding Options, Warrants and Rights (years)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)</b>
Equity compensation plans approved by shareholders	6,275,667(3)			373,715(4)
Equity compensation plans not approved by shareholders				
<b>Total</b>	<b>6,275,667</b>			<b>373,715</b>

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- (1) As of March 31, 2014, the Company also had 4,879,333 shares of outstanding restricted stock, which are not reflected in the table because they are treated as issued and outstanding and will not have additional dilutive impact on the Company when the awards vest.
- (2) No weighted-average exercise price is reported for the awards reported because shares of common stock are issued under all of the outstanding awards without any cash payment.
- (3) Consists of 1,955,838 restricted stock unit awards granted under the Plan and 4,319,829 restricted units that may be settled in cash or, in the discretion of the Company, in shares of common stock issued under the Plan.
- (4) This number differs from the number of available shares disclosed in our Annual Report on Form 10-K, which in fiscal 2015 was reduced by the number of restricted units outstanding as of the end of fiscal 2014 that may be settled in cash or, in the discretion of the Company, shares of common stock issued under the Plan (4,319,829 shares). In addition, the amount shown does not include shares of our common stock to be available for issuance under the amendments to the Plan proposed for approval by our shareholders at the Annual Meeting under Proposal 2 of this Proxy Statement. If approved, the aggregate number of shares of our common stock available for issuance under the Plan will be increased by 5,000,000.

The following table presents information concerning our equity compensation plans as of June 30, 2014:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights \$(2)	Weighted-Average Remaining Contractual Life of Outstanding Options, Warrants and Rights (years)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by shareholders	5,035,765(3)			836,382(4)
Equity compensation plans not approved by shareholders				
<b>Total</b>	<b>5,035,765</b>			<b>836,382</b>

- (1) As of June 30, 2014, the Company also had 3,186,154 shares of outstanding restricted stock, which are not reflected in the table because they are treated as issued and outstanding and will not have additional dilutive impact on the Company when the awards vest.
- (2) No weighted-average exercise price is reported for the awards reported because shares of common stock are issued under all of the outstanding awards without any cash payment.
- (3) Consists of 999,944 restricted stock unit awards granted under the Plan and 4,035,821 restricted units that may be settled in cash or, in the discretion of the Company, in shares of common stock issued under the Plan.
- (4) The amount shown does not include shares of our common stock to be available for issuance under the amendments to the Plan proposed for approval by our shareholders at the Annual Meeting under Proposal 2 of this Proxy Statement. If approved, the aggregate number of shares of our common stock available for issuance under the Plan will be increased by 5,000,000.

**THE BOARD OF DIRECTORS BELIEVES THAT THE APPROVAL OF THE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN AND THE RE-APPROVAL OF THE PERFORMANCE GOALS SPECIFIED THEREIN ARE IN THE BEST INTERESTS OF THE COMPANY, AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN AND THE RE-APPROVAL OF THE PERFORMANCE GOALS SPECIFIED THEREIN.**

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**NON-BINDING ADVISORY VOTE TO APPROVE THE  
COMPENSATION OF THE COMPANY'S  
NAMED EXECUTIVE OFFICERS**

**(Proposal 3)**

In accordance with the SEC's proxy rules, we are seeking approval, on a non-binding advisory basis, of the compensation of the Company's named executive officers listed in the Summary Compensation Table (the *NEOs*) for fiscal year 2014, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables, and the related narrative disclosures. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. This vote is commonly known as a "say on pay" advisory vote. The Board of Directors has adopted a policy providing for annual "say on pay" advisory votes.

The compensation of our NEOs is described in detail in the "Compensation Discussion and Analysis" section of this Proxy Statement beginning on page 29, which we encourage you to read for additional details on our executive compensation programs and compensation of our NEOs for fiscal 2014.

Our executive compensation programs are based on three core principles that are designed to motivate our NEOs to achieve annual financial and strategic objectives to enhance the profitability of the Company and create long-term shareholder value. The fiscal year 2014 compensation of our NEOs reflected these core principles:

A significant portion of our NEOs' compensation was based on the financial performance of the Company and therefore "at risk";

The majority of each NEO's total compensation was provided in the form of long-term equity, a significant portion of which was subject to stock price performance, to further align the interest of NEOs and shareholders; and

The target total direct compensation package for each NEO was consistent with market practices for executive talent and each NEO's individual experience, responsibilities and performance.

In response to feedback received from shareholders in 2013, the Compensation Committee and the Board of Directors made several changes to the ZelnickMedia management agreement and our compensation program in the last year. These changes are detailed in the "Compensation Discussion and Analysis" below. We believe that our compensation programs and policies for fiscal 2014 were consistent with our core compensation principles, provided an effective incentive for the achievement of positive results, aligned with shareholders' interests, supported by strong compensation governance practices and worthy of continued shareholder support. Accordingly, we ask for our shareholders to indicate their support for the compensation paid to our NEOs by voting **FOR** the following non-binding resolution at the Annual Meeting:

RESOLVED, that the Company's shareholders approve the compensation of the named executive officers for fiscal year 2014, including the Compensation Discussion and Analysis, the compensation tables, and the related narrative disclosures as included in this Proxy Statement.

Because your vote is advisory, the result will not be binding upon the Company. Although not binding, the Board of Directors values the opinions of our shareholders and will carefully review and consider the outcome of the vote, along with other relevant factors, in evaluating its compensation program for our NEOs.

**Board of Directors' Recommendation**

**THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THE FOREGOING RESOLUTION ON THE COMPENSATION OF THE NEOS IS IN THE BEST INTEREST OF THE COMPANY AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF THE COMPENSATION OF THE COMPANY'S NEOS, AS STATED IN THE ABOVE NON-BINDING RESOLUTION.**





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**RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**(Proposal 4)**

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as the Company's independent registered public accounting firm to audit its consolidated financial statements for its fiscal year ending March 31, 2015. Although action by the shareholders on this matter is not required, the Audit Committee believes it is appropriate to seek shareholder ratification of the appointment of the independent registered public accounting firm to provide a forum for shareholders to express their views with regard to the Audit Committee's appointment. If the shareholders do not ratify the appointment of E&Y, the selection of independent registered public accounting firms may be reconsidered by the Audit Committee; *provided, however*, that the Audit Committee retains the right to continue to engage E&Y. In addition, notwithstanding the ratification of E&Y as the Company's independent registered public accounting firm for the year ending March 31, 2015, the Audit Committee retains the right to replace E&Y at any time without shareholder approval.

**THE BOARD OF DIRECTORS BELIEVES THAT RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP IS IN THE BEST INTERESTS OF THE COMPANY AND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR SUCH RATIFICATION.**

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