ELECTRONIC ARTS INC
Form DEF 14A
June 30, 2006

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

SCHEDULE 14A

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

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

Check the appropriate box:

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

Electronic Arts Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

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June 30, 2006

DEAR FELLOW STOCKHOLDERS:

You are cordially invited to join us at our 2006 Annual Meeting of Stockholders on July 27, 2006 at 2:00 p.m. The meeting will be held at the headquarters campus of Electronic Arts in Building 250 (please note that the street address for Building 250 is 250 Shoreline Drive, Redwood City, California). At this meeting, we are asking the stockholders to:

Elect nine directors;

Approve a program to permit eligible employees to voluntarily exchange significantly underwater stock options for a lesser number of shares of restricted stock or restricted stock units to be granted under the 2000 Equity Incentive Plan;

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

Ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2007.

After the meeting, we will report on our performance in the last year and answer your questions.

Enclosed with this proxy statement are your proxy card and voting instructions and our 2006 annual report. **We encourage you to conserve natural resources, expedite the delivery of future communications, and help us reduce our printing and mailing costs, by signing up for electronic delivery of our stockholder communications.** For more information, see *Electronic Delivery of Our Stockholder Communications* in the attached proxy statement.

We know that it is not practical for most stockholders to attend the Annual Meeting in person. If you would like to listen to the Annual Meeting via webcast, please visit our website at *investor.ea.com.* Whether or not you are able to attend in person, your vote is important. In addition to using the enclosed proxy card to vote your shares, you may also vote your shares via the Internet or a toll-free telephone number. Instructions for using these services are provided on your proxy card.

I look forward to seeing you at the meeting.

Sincerely,

Lawrence F. Probst III

Chairman and Chief Executive Officer

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

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Notice of 2006 Annual Meeting of Stockholders

DATE:	July 27, 2006
TIME:	2:00 p.m.
PLACE:	ELECTRONIC ARTS HEADQUARTERS Building 250* 209 Redwood Shores Parkway Redwood City, CA 94065

** Please note: Building 250 is located on the headquarters campus at 250 Shoreline Drive*

MATTERS TO BE VOTED UPON:

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

2. An exchange program in which eligible employees will be offered the opportunity to surrender significantly underwater stock options in exchange for a lesser number of shares of restricted stock or restricted stock units to be granted under the 2000 Equity Incentive Plan, provided that Proposal 3 is also approved by the stockholders;

3. Amendments to the 2000 Equity Incentive Plan to (i) increase to 15 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan, and (ii) limit the number of shares subject to options surrendered and cancelled in the Exchange Program that will be available for issuance under the Equity Plan;

4. An amendment to the 2000 Employee Stock Purchase Plan to increase by 1.5 million the number of shares of common stock reserved for issuance under the Purchase Plan;

5. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2007; and

6. Any other matters that may properly come before the meeting.

OUR BOARD OF DIRECTORS RECOMMENDS YOU VOTE **FOR** EACH OF THE NOMINEES AND **FOR** EACH PROPOSAL.

Stockholders of record at the close of business on June 6, 2006 are entitled to notice of the meeting and to attend and vote at the meeting. A complete list of these stockholders will be available at Electronic Arts headquarters prior to the meeting.

By Order of the Board of Directors,

Stephen G. Bené

Senior Vice President, General Counsel
and Secretary

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PROXY STATEMENT

Our Board of Directors is soliciting proxies for the 2006 Annual Meeting of Stockholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The Board has set June 6, 2006, as the record date for the meeting. Stockholders who owned common stock on that date are entitled to notice of the meeting, and to attend and vote at the meeting, with each share entitled to one vote. There were 306,158,333 shares of common stock outstanding on the record date.

Voting materials, which include the proxy statement, proxy card and our 2006 annual report, were first mailed to stockholders on or about June 30, 2006.

In this proxy statement:

- EA , we and the Company mean Electronic Arts Inc.
- 2000 Equity Plan and Equity Plan mean EA s 2000 Equity Incentive Plan.
- 2000 Purchase Plan and Purchase Plan mean EA s 2000 Employee Stock Purchase Plan.
- Holding shares in street name means your EA shares are held in an account at a bank, brokerage firm or other nominee.
- Common Stock means EA s common stock, as described in EA s current Amended and Restated Certificate of Incorporation.
- We use overhang to refer to the total number of shares subject to outstanding equity awards (such as stock options and restricted stock units) as a percentage of our total shares of Common Stock outstanding.
- Fiscal 2007 , fiscal 2006 , fiscal 2005 , fiscal 2004 and fiscal 2003 refer to EA s fiscal years ending or ended case may be) on March 31, 2007, 2006, 2005, 2004 and 2003, respectively.
- We use independent auditors to refer to an independent registered public accounting firm.
- Unless otherwise noted, all share and per-share information has been adjusted to reflect the November 2003 two-for-one split of our common stock.

HOW TO VOTE YOUR SHARES

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

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

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

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

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

ELECTRONIC DELIVERY OF OUR STOCKHOLDER COMMUNICATIONS

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

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

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COMMONLY ASKED QUESTIONS AND ANSWERS

Why am I receiving this proxy statement and proxy card?

This proxy statement describes proposals on which you, as a stockholder, are being asked to vote. It also gives you information on these proposals, as well as other information so that you can make an informed decision. You are invited to attend the Annual Meeting to vote on the proposals, but you do not need to attend in person in order to vote. You may, instead, follow the instructions below to vote by mail using the enclosed proxy card, or to vote by telephone or over the Internet. By doing so, you are giving a proxy appointing Lawrence F. Probst III (the Company s Chief Executive Officer) and Warren C. Jenson (the Company s Chief Financial and Administrative Officer) to vote your shares at the meeting as you have instructed. If a proposal comes up for vote at the meeting that is not on the proxy card, or if you do not indicate an instruction, Mr. Probst and Mr. Jenson will vote your shares according to their best judgment. Even if you currently plan to attend the meeting, it is a good idea to complete and return your proxy card, or vote by telephone or on the Internet, before the meeting date just in case your plans change.

Who can vote at the Annual Meeting?

Stockholders who owned common stock on June 6, 2006 may attend and vote at the Annual Meeting. Each share of common stock is entitled to one vote. There were 306,158,333 shares of common stock outstanding on June 6, 2006.

What am I voting on?

We are asking you to:

- Elect nine directors;

- Approve a program to permit eligible employees to voluntarily exchange significantly underwater stock options for a lesser number of shares of restricted stock or restricted stock units to be granted under the 2000 Equity Incentive Plan (the Exchange Program);

- Approve amendments to the 2000 Equity Incentive Plan to (a) increase by 11 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan from 4 million to 15 million shares, and (b) if the Exchange Program is approved by stockholders, to limit the number of shares subject to options surrendered and cancelled in the Exchange Program that will be available for issuance under the Equity Plan to a total of 7 million plus the number of shares necessary for the issuance of the restricted stock rights to be granted in connection with the Exchange Program;

- Approve an amendment to the 2000 Employee Stock Purchase Plan to increase by 1.5 million the number of shares of common stock reserved for issuance under the Purchase Plan; and

- Ratify the appointment of KPMG LLP as our independent auditors for fiscal 2007.

How do I vote?

You may vote by mail.

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

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

- **for** *the election of the nine nominees for director;*

- **for** *approval of the Exchange Program;*

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

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

for *ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2007.*

You may vote by telephone.

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

You may vote on the Internet.

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

You may vote in person at the meeting.

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

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

It means that you have multiple accounts at the transfer agent or with stockbrokers. Please complete and return all proxy cards, or follow the instructions on each to vote by telephone or over the Internet, to ensure that all your shares are voted.

What if I change my mind after I give my proxy?

You may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

Sending a signed statement to the Company that the proxy is revoked (you may send such a statement to the Company s Secretary at our corporate headquarters address listed on the Notice of Meeting);

Signing another proxy with a later date;

Voting by telephone or on the Internet at a later date (your latest vote is counted); or

Voting in person at the meeting.

Your proxy will not be revoked if you attend the meeting but do not vote.

Who will count the votes?

An employee of Wells Fargo Shareowner Services will tabulate the votes and act as the inspector of election.

How many shares must be present to hold the meeting?

To hold the meeting and conduct business, a majority of EA s outstanding voting shares as of June 6, 2006 must be present or represented by proxies at the meeting. On this date a total of 306,158,333 shares of common stock were outstanding and entitled to vote. Shares representing a majority, or 153,079,167 of these votes must be present. This is called a quorum.

Shares are counted as present at the meeting if:

They are voted in person at the meeting, or

The stockholder has properly submitted a proxy card or voted via telephone or the Internet.

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

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

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

If your shares are held in street name , you should have received voting instructions with these materials from your broker or other nominee. We urge you to instruct your broker or other nominee how to vote your shares by following those instructions. If you do not give your broker or nominee instructions as to how to vote your shares, they may be voted only on matters for which the broker or nominee has discretionary authority under applicable rules. These broker non-votes will be counted for purposes of determining whether a quorum is present but will not be counted for any purpose with respect to Proposals 2, 3 and 4.

How are votes counted?

In the election of directors, you may vote either for each nominee or withhold your vote. You may vote for , against or abstain on each of the other proposals. Abstentions, although counted for purposes of determining whether a quorum is present, will not be counted for any other purpose with respect to Proposals 2, 3, 4 and 5.

If you sign and return your proxy without voting instructions, your shares will be counted as a for vote in favor of each nominee and in favor of each of the other proposals.

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

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

What happens if one or more of the nominees is unable to stand for election?

The Board may reduce the number of directors or select a substitute nominee. In the latter case, if you have completed and returned your proxy card, Lawrence F. Probst III and Warren C. Jenson shall have the discretion to vote your shares for a substitute nominee. They cannot vote for more than nine nominees.

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

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

Where do I find the voting results of the meeting?

We will announce preliminary voting results at the meeting. We will also publish the final results in a quarterly report on Form 10-Q, which we will file with the Securities and Exchange Commission. Once filed, you can request a copy of the Form 10-Q by contacting our Investor Relations department at (650) 628-7352 or the SEC at (800) SEC-0330 for the location of its nearest public reference room. You can also get a copy on the Internet at *http://investor.ea.com* or through the SEC s electronic data system called EDGAR at *www.sec.gov*.

Why are you proposing the Exchange Program?

We are proposing the Exchange Program to:

- offer a meaningful retention incentive for employees who currently hold stock options with exercise prices significantly higher than the current market prices of our Common Stock to remain with the Company;
- to reduce our overhang of outstanding equity awards; and
- to further align our outstanding equity compensation with our philosophy of using a mix of stock options and other equity-based incentives.

For more information regarding the Exchange Program, please see *Proposal 2. Approval of the Exchange Program* below.

Why are you amending the Equity Plan?

We are amending the Equity Plan to increase by 11 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units from 4 million to 15 million shares. If the proposed increase is not approved, we will have an insufficient number of shares available to issue restricted stock rights in connection with, and therefore will be unable to implement, the Exchange Program.

We are also proposing to amend the Equity Plan to limit the number of shares subject to options surrendered and cancelled in the Exchange Program that will be available for issuance under the Equity Plan to a total of 7 million plus the number of shares necessary for the issuance of the restricted stock rights to be granted in connection with the Exchange Program.

For more information regarding the proposed amendments to the Equity Plan, please see *Proposal 3. Amendments to the 2000 Equity Incentive Plan* below.

Why are you amending the Purchase Plan?

We are amending the Purchase Plan to increase the number of shares available for issuance by an additional 1.5 million shares. The Purchase Plan enables our employees to purchase our common stock through payroll deductions and provides continuing opportunities for our employees to become stockholders. It also provides an incentive for continued employment. Since the adoption of the Purchase Plan, we have experienced both significant growth in the number of employees, as well as an increase in the percentage of employees, who elect to participate in the Purchase Plan. We estimate that the proposed increase of shares available for issuance under the Purchase Plan will permit all current and potential future employees to fully participate in the Purchase Plan through at least the end of fiscal 2007, our current fiscal year.

For more information regarding the proposed amendment to the Purchase Plan, please see *Proposal 4. Amendment to the 2000 Employee Stock Purchase Plan* below.

Who will pay for this proxy solicitation?

We have retained Georgeson & Company Inc. to solicit proxies from stockholders at an estimated fee of $7,500 plus expenses and we will pay these costs. This fee does not include costs of preparing, assembling, printing, mailing and distributing the proxy statements and annual reports, all of which we will pay. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition, some of our officers, directors, employees and other agents may also solicit proxies personally, by telephone and by electronic and regular mail, and we will pay these costs as well. EA will also reimburse brokerage houses and other custodians for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of common stock.

Whom can I call with any questions about my shares?

You may contact your broker. If you don t own your shares through a broker but are a shareholder of record, you may also call our transfer agent, Wells Fargo Shareowner Services, at 1-800-468-9716 or visit their web site at *www.wellsfargo.com/shareownerservices.*

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PROPOSALS TO BE VOTED ON

PROPOSAL 1. ELECTION OF DIRECTORS

At the Annual Meeting, stockholders will elect nine directors to hold office for a one-year term until the next Annual Meeting (or until their respective successors are elected and qualified). All nominees have consented to serve a one-year term, if elected.

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

M. Richard Asher

Leonard S. Coleman

Gary M. Kusin

Gregory B. Maffei

Timothy Mott

Vivek Paul

Lawrence F. Probst III

Linda J. Srere

In addition, the Board has nominated the following candidate to stand for election:

Richard A. Simonson

Mr. Simonson was referred to our Nominating and Governance Committee as a potential candidate for director by an external, independent recruiting firm. If elected, Mr. Simonson will fill the seat being vacated by Robert W. Pittman, a current director who will not be standing for re-election at the Annual Meeting.

Required Vote and Board of Directors Recommendation

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

The Board recommends a vote FOR each of the nominees.

Director Biographies

Each of the following directors and Mr. Simonson have been nominated for election or re-election at the 2006 Annual Meeting.

M. Richard Asher

Director since 1984

Mr. Asher, age 74, is presently an attorney, a consultant, and an affiliate professor with Florida Atlantic University. He was a senior executive officer and CEO in the music and record business with CBS, Warner Brothers and PolyGram Records for over 25 years. Mr. Asher is a director of several private companies and previously served as a director for a number of public companies.

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Leonard S. Coleman
Director since 2001
Mr. Coleman, age 57, served as Senior Advisor to Major League Baseball from 1999 until 2005 and, from 2001 to 2002, was the Chairman of ARENACO, a subsidiary of Yankees/ Nets. Mr. Coleman was President of The National League of Professional Baseball Clubs from 1994 to 1999, having previously served since 1992 as Executive Director, Market Development of Major League Baseball. Mr. Coleman serves on the Board of Directors of the following public companies: Cendant Corporation; Omnicom Group Inc.; H.J. Heinz Company; Churchill Downs Inc.; and Aramark Corporation.

Gary M. Kusin
Director since 1995
Mr. Kusin, age 55, has been a Special Advisor to the Texas Pacific Group since June 2006. He served as the President and Chief Executive Officer of Fedex Kinko s Office and Print Services, an operating division of Fedex, Inc. from August 2001 until February 2006. Fedex Kinko s is a leading provider of document solutions and business services. From September 1998 to July 2001, he was the Chief Executive Officer of HQ Global Workplaces, Inc., a global leader in office outsourcing. In April 2002, HQ Global filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code and subsequently emerged from bankruptcy in October 2003. Prior to September 1998, Mr. Kusin was co-founder and Chairman of Kusin Gurwitch Cosmetics, LLC and co-founder and President of Babbages, Inc.

Gregory B. Maffei
Director since 2003
Mr. Maffei, age 46, has served as President and Chief Executive Officer of Liberty Media Corporation, which owns electronic retailing, media, communications and entertainment businesses and investments, since February 2006. He joined Liberty Media in November 2005 as CEO-Elect. From June 2005 until November 2005, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation. From 2000 until June 2005, Mr. Maffei served as Chief Executive Officer of 360networks Corporation, a broadband telecom service provider, and also became Chairman of the Board of 360networks in 2002. Previously, Mr. Maffei was with Microsoft Corporation from 1993 to 2000, in several positions, including Senior Vice President, Finance and Administration and Chief Financial Officer. Mr. Maffei also served as Chairman of Expedia, Inc. from 1999 to 2002. Mr. Maffei serves on the Board of Directors of Liberty Media.

Timothy Mott
Director since 1990
Mr. Mott, age 57, has been Chairman of All Covered, a nationwide information technology outsourcing company focused on small and mid-size businesses, since June 2000 and was Chief Executive Officer from November 2001 to February 2004. At various times prior to 1999, Mr. Mott co-founded and was Chairman of Audible Inc., co-founded and was Chief Executive Officer and Chairman of Macromedia Inc., co-founded and was Senior Vice President of Electronic Arts, and was a member of the research staff at Xerox PARC. Other than in his role as a director of EA, Mr. Mott has had no operating involvement with EA since he ceased serving as an executive officer in 1990.

Vivek Paul
Director since 2005
Mr. Paul, age 47, has been a partner with the Texas Pacific Group since October 2005. From July 1999 to September 2005, Mr. Paul served as Vice Chairman of the Board of Directors of Wipro, Ltd., a provider of integrated business, technology and process solutions, and Chief Executive Officer of Wipro Technologies, Wipro s global information technology, product engineering, and business process services segments. From January 1996 to July 1999, Mr. Paul was General Manager of Global CT Business at General Electric, Medical Systems Division. From March 1993 to December 1995, he served as President and Chief Executive Officer of Wipro GE Medical Systems Limited. Mr. Paul holds a Bachelor of Engineering from the Birla Institute of Technology and Science, and an M.B.A. from the University of Massachusetts, Amherst.

Lawrence F. Probst III

Director since 1991

Mr. Probst, age 56, has been employed by EA since 1984. He has served as Chairman of the Board since July 1994, and Chief Executive Officer since May 1991. Previously Mr. Probst served as President from 1991 until 1998 and Senior Vice President of EA Distribution from 1987 to 1991. Mr. Probst holds a B.S. degree from the University of Delaware.

Richard A. Simonson

Candidate for Director

Mr. Simonson, age 47, has served as Executive Vice President and Chief Financial Officer of Nokia Corporation, a manufacturer of mobile devices and a leader in mobile network equipment, solutions and services since 2004. From 2001 until 2003, Mr. Simonson served as Vice President & Head of Customer Finance of Nokia. In 2001, Mr. Simonson was Managing Director of the Telecom & Media Investment Banking Group of Barclays Capital. Prior to joining Barclays Capital, Mr. Simonson spent 16 years at Bank of America Securities where he held various positions, including Managing Director & Head of Global Project Finance, Global Corporate & Investment Bank, San Francisco and Chicago. Mr. Simonson holds a B.S. degree from the Colorado School of Mines and an M.B.A. from Wharton School of Business at the University of Pennsylvania.

Linda J. Srere

Director since 2001

Ms. Srere, age 50, is currently a marketing and advertising consultant. Previously, Ms. Srere was President of Young & Rubicam Advertising. Since 1994, Ms. Srere held many positions with Young & Rubicam Inc. (Y&R), including Vice Chairman and Chief Client Officer, Executive Vice President and Director of Business Development, Group Managing Director, and in 1997, was named Chief Executive Officer of Y&R s New York office, becoming the first female CEO in the company s 75-year history. Ms. Srere also serves on the Board of Directors of aQuantive, Inc., a digital marketing services and technology company, and Universal Technical Institute, Inc., a technical education provider.

BOARD, BOARD MEETINGS, AND COMMITTEES

Our Board of Directors consists of nine directors. The Board has determined that Mr. Simonson and all of our current directors, other than Mr. Probst, are independent as that term is used in the NASDAQ Marketplace Rules.

The Board meets on a fixed schedule four times each year and also occasionally holds special meetings and acts by written consent. At each regularly scheduled meeting, the independent members of the Board meet in executive session separately without management present. A Lead Director, elected by the independent directors and serving a two-year term, is responsible for chairing executive sessions of the Board and other meetings of the Board in the absence of the Chairman of the Board, serving as a liaison between the Chairman of the Board and the other independent directors, and overseeing the Board s stockholder communication policies and procedures (including, under appropriate circumstances, meeting with stockholders). Our Lead Director may also call meetings of the independent directors. The term of our current Lead Director, Linda Srere, is set to expire at the 2006 Annual Meeting of Stockholders. The independent directors of the Board have elected Gary Kusin to replace Ms. Srere as Lead Director for a two-year term beginning with our 2006 Annual Meeting of Stockholders.

The Board currently has three committees, each of which operates under a charter approved by the Board: the Audit Committee; the Compensation Committee; and the Nominating and Governance Committee. The Board of Directors amended and restated the Audit Committee s charter in May 2006, amended the Compensation Committee s charter in July 2005, and adopted the Nominating and Governance Committee s charter in May 2003. A copy of the Audit Committee Charter may be found in Appendix C to this proxy statement. In addition, copies of the charters of each Committee may be found in the Investor Relations portion of our website at *http://investor.ea.com.* In accordance with the charters for each, and with current regulatory requirements, all members of these Committees are independent directors. During fiscal 2006, each director participated in at least 75% of all Board meetings and Committee meetings held during the period for which he or she was a member.

As of June 1, 2006, the Committee members were as follows:

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

The Board is expected to review and, where appropriate, change Committee assignments at its regularly-scheduled meeting in July 2006.

Audit Committee

The Audit Committee assists the Board in its oversight of the Company s financial reporting and other matters, and is directly responsible for the appointment, compensation and oversight of our independent auditors. The Audit Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements and the financial literacy standards of the NASDAQ Marketplace Rules, as well as the independence requirements of the SEC. In the opinion of the Board of Directors, Mr. Maffei meets the criteria for an audit committee financial expert as set forth in applicable SEC rules. The Audit Committee met ten times in fiscal 2006. For further information about the Audit Committee, please see the *Report of the Audit Committee* below.

Compensation Committee

The Compensation Committee is responsible for setting the overall compensation strategy for the Company, for determining the compensation of the CEO and other executive officers and for overseeing the Company s equity incentive plans and other benefit plans. In addition, the Compensation Committee is responsible for reviewing and recommending to the Board compensation for non-employee directors. The Compensation Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Marketplace Rules and qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code, as amended. The Compensation Committee met six times in fiscal 2006 and also acted frequently by written consent. For further information about the Compensation Committee, please see the *Report of the Compensation Committee* below.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for recommending to the Board nominees for election to the Board of Directors, for appointing directors to Board Committees, and for reviewing developments in corporate governance, reviewing and ensuring the quality of the Company s succession plans, recommending formal governance standards to the Board, and establishing the Board s criteria for selecting nominees for director and for reviewing from time to time the appropriate skills, characteristics and experience required of the Board as a whole, as well as its individual members. The Nominating and Governance Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Marketplace Rules. The Nominating and Governance Committee met four times in fiscal 2006.

In evaluating nominees for director to recommend to the Board, the Nominating and Governance Committee will take into account many factors within the context of the characteristics and needs of the Board as a whole. While the specific needs of the Board may change from time to time, all nominees for director are considered on the basis of the following minimum qualifications:

- the highest level of personal and professional ethics and integrity, including a commitment to EA s ACTION values (as set forth in EA s Global Code of Conduct);

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- practical wisdom and mature judgment;
- broad training and significant leadership experience in business, entertainment, technology, finance, corporate governance, public interest or other disciplines relevant to the long-term success of EA;
- the ability to gain an in-depth understanding of EA s business; and
- a willingness to represent the best interests of all EA stockholders and objectively appraise management s performance.

In determining whether to recommend a director for re-election, the Nominating and Governance Committee will also consider the director s tenure on the Board, past attendance at meetings, participation in and contributions to the activities of the Board, the Director s continued independence (including any actual, potential or perceived conflicts of interest), as well as the director s age and changes in his or her principal occupation or professional status.

The Nominating and Governance Committee believes that the continuing service of qualified incumbent directors promotes stability and continuity on the Board of Directors, contributing to the Board s ability to work effectively as a collective body, while providing EA with the benefits of familiarity and insight into EA s affairs that its directors have developed over the course of their service. Accordingly, consistent with past EA practice, the Nominating and Governance Committee will first consider recommending incumbent directors who wish to continue to serve on the Board for re-election at EA s annual meeting of stockholders.

In situations where the Nominating and Governance Committee determines not to recommend an incumbent director for re-election, an incumbent director declines to stand for re-election, or a vacancy arises on the Board for any reason (including the resignation, retirement, removal, death or disability of an incumbent director or a decision of the directors to expand the size of the Board), the Committee will commence a search for new director nominees. The Nominating and Governance Committee may, in its discretion, use a variety of means to identify and evaluate potential nominees for director. The Nominating and Governance Committee has used, and may continue to use, qualified search firms and may also work with members of EA s Human Resources department to identify potential nominees meeting the Board s general membership criteria discussed above. The Nominating and Governance Committee may also consider potential nominees identified by other sources, including current directors, senior management and stockholders. In determining whether to recommend a candidate to the Board of Directors, the Nominating and Governance Committee will consider the current composition and capabilities of current directors, as well as any additional qualities or capabilities considered necessary or desirable in light of the existing or anticipated needs of the Board.

The Nominating and Governance Committee will evaluate candidates proposed by stockholders under criteria similar to the evaluation of other candidates, except that it may also consider as one of the factors in its evaluation, the amount of EA voting stock held by the stockholder and the length of time the stockholder has held such stock. Stockholders wishing to submit candidates for consideration by the Nominating and Governance Committee may do so by writing to EA s Corporate Secretary at 209 Redwood Shores Parkway, Redwood City, CA 94065, Attn: Director Nominations. To be considered by the Nominating and Governance Committee in connection with EA s annual meeting of stockholders, recommendations must be submitted in writing to EA not less than 120 calendar days prior to the anniversary of the date on which EA s proxy statement was released to stockholders in connection with the previous year s annual meeting (on or about March 2, 2007 for our 2007 Annual Meeting of Stockholders). Recommendations should include: (1) the stockholder s name, address and telephone number; (2) the amount and nature of record and/or beneficial ownership of EA securities held by the stockholder; (3) the name, age, business address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed candidate; (4) a description of the qualifications and background of the proposed candidate that addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time and set forth in EA s Corporate Governance Guidelines; (5) the amount and nature of

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record and/or beneficial ownership of EA securities held by the proposed candidate, if any; (6) a description of all arrangements or understandings between the stockholder and the proposed candidate relating to the proposed candidate s candidacy; (7) a statement as to whether the proposed candidate would be considered an independent director under applicable NASDAQ Marketplace Rules; (8) the consent of the proposed candidate (a) to be named in the proxy statement relating to EA s annual meeting of stockholders, and (b) to serve as a director if elected at such annual meeting; and (9) any other information regarding the proposed candidate that may be required to be included in a proxy statement by applicable SEC rules. The Nominating and Governance Committee may request any additional information reasonably necessary to assist it in assessing a proposed candidate.

Corporate Governance Guidelines

Our Board of Directors has adopted, upon the recommendation of the Nominating and Governance Committee, a formal set of Corporate Governance Guidelines. A complete copy of the Corporate Governance Guidelines are available in the Investor Relations portion of our website at *http://investor.ea.com.* Our Corporate Governance Guidelines contain policies relating to:

- Board membership and independence criteria;
- Director resignations;
- Executive sessions of independent directors led by a Lead Director;
- Authority to hire outside advisors;
- Director orientation and education;
- Board and Committee self-evaluations;
- Attendance at annual meetings of stockholders;
- Stock ownership guidelines for our directors and executive officers;
- Stockholder communications with the Board; and
- Access to management, CEO evaluation and management succession planning.

Global Code of Conduct

Our Global Code of Conduct (which includes code of ethics provisions applicable to our directors, principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers) is available in the Investor Relations section of our website at *http://investor.ea.com.* We will post amendments to our Global Code of Conduct in the Investor Relations section of our website. Copies of our charters and Global Code of Conduct are available without charge by contacting our Investor Relations department at (650) 628-7352.

Director Attendance at Annual Meetings

Our directors are expected to make every effort to attend our annual meeting of stockholders. Eight of our nine current directors attended our 2005 Annual Meeting of Stockholders.

Stockholder Communications with the Board of Directors

EA stockholders may communicate with the Board as a whole, with a committee of the Board, or with an individual director by sending a letter to EA s Corporate Secretary at Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065, or by sending an email to StockholderCommunications@ea.com. All stockholder communications received will be handled in accordance with procedures approved by the independent directors serving on the Board. For further information regarding the submission of stockholder communications, please visit the Investor Relations portion of our website at *http://investor.ea.com.*

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DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Mr. Probst, the Company s Chief Executive Officer, is not paid additional compensation for his services as a director. During fiscal 2006, our non-employee directors received the following compensation:

Cash Compensation

- $35,000 annual retainer for service on the Board of Directors;
- $7,500 annual retainer for service on the Compensation or Nominating and Governance Committees;
- $2,500 additional annual retainer for service as Chair of the Compensation or Nominating and Governance Committees;
- $10,000 annual retainer for service on the Audit Committee; and
- $5,000 additional annual retainer for service as Chair of the Audit Committee.

In addition, individual directors were eligible to earn up to $1,000 per day, with the approval of the Board of Directors, for special assignments, which may include providing advisory services to management in such areas as sales, marketing, public relations and finance (provided, however, no independent director is eligible for a special assignment if the assignment or payment for the assignment would prevent the director from being considered independent under applicable NASDAQ Marketplace or SEC rules). No directors earned any compensation for special assignments during fiscal 2006.

Stock Compensation

Upon their initial appointment or election to the Board, new directors receive an option grant to purchase 25,000 shares issued under the 2000 Equity Incentive Plan. Each continuing director receives an annual option grant to purchase 10,000 shares upon his or her re-election to the Board. In fiscal 2006, annual option grants to purchase 10,000 shares of common stock were made under the Equity Plan to each of the non-employee directors who was re-elected at the 2005 Annual Meeting of Stockholders, other than Mr. Paul. Because Mr. Paul had been appointed to the Board on June 15, 2005, the number of shares subject to his annual grant option was pro-rated to 833 shares. All annual grant options were granted on July 28, 2005, the date of the directors re-election to the Board, at an exercise price of $58.45 per share.

Under the Equity Plan, non-employee directors may elect to receive all or part of their cash compensation in the form of common stock. As an incentive for our non-employee directors to increase their stock ownership in EA, non-employee directors making such an election receive shares of common stock valued at 110% of the cash compensation they would have otherwise received.

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

Stock Ownership Guidelines

Each non-employee director is required, within three years of becoming a director, to own shares of EA common stock having a value of at least 3 years annual retainer for service on the Board. As of June 1, 2006, each of our directors had either fulfilled their ownership requirements or had not yet reached three years of service.

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PROPOSAL 2. APPROVAL OF THE EXCHANGE PROGRAM

On June 19, 2006, our Board of Directors authorized, subject to stockholder approval, a voluntary program (the Exchange Program) that, if implemented, will permit our eligible employees to exchange certain outstanding stock options that are significantly underwater for a lesser number of shares of restricted stock or restricted stock units to be granted under our 2000 Equity Incentive Plan, provided that the proposed amendments to the Equity Plan are approved by the stockholders (see *Proposal 3. Amendments to the 2000 Equity Incentive Plan*). The Exchange Program will be open to all employees of the Company and any of our subsidiaries designated for participation by the Compensation Committee of the Board of Directors. However, members of the Board of Directors and our Named Executive Officers will not be eligible to participate. Options eligible for the Exchange Program (Eligible Options) will be those having exercise prices that are at least 115% of the average closing price of our Common Stock as reported on the NASDAQ National Market for the five business days preceding the date on which we commence the program. As a prerequisite to the implementation of the Exchange Program, stockholders must not only approve this proposal, but also approve the proposed amendment to the Equity Plan described in Proposal 3 below.

Eligible employees who elect to participate in the Exchange Program may surrender one or more outstanding grants of Eligible Options and receive in exchange awards for a lesser number of shares of Common Stock. These awards may consist either of shares of restricted stock or restricted stock units, subject to determination within the discretion of the Compensation Committee. In making this determination, the Compensation Committee will take into account factors including tax and other laws applicable to an exchange of options for such awards in each of the tax jurisdictions of our participating employees. Restricted stock is an award of shares of Common Stock that remain subject to forfeiture upon termination of employment until they have vested following a specified period of employment. Restricted stock units are rights to receive shares of Common Stock on specified future dates when those rights have vested following a required period of employment. In this proposal, we refer to both shares of restricted stock and restricted stock units as restricted stock rights. The weighted average ratio of shares subject to Eligible Options cancelled to restricted stock rights issued will be approximately 3.3-to-1 and is expected to range from 3-to-1 to 4-to-1, subject to adjustment as further described below. These exchange ratios have been selected to result in the issuance of restricted stock rights that have a value, as of the closing date of the Exchange Program (Exchange Date), that is equal to or less than the value, determined using the Black-Scholes option valuation model, of the options to be cancelled in exchange for the restricted stock rights. The restricted stock rights will be subject to vesting schedules ranging from a minimum of two years to a maximum of four years measured from August 1, 2006, depending on the extent to which the Eligible Options exchanged were vested (or, in the case of Eligible Options that cliff vest in their entirety after a minimum of three years, if at least 50% or more of the time required to vest has elapsed) prior to their cancellation.

Reasons for the Exchange Program

The Company has granted stock options periodically to a substantial portion of its employees and those of its subsidiaries. The Company has also assumed stock options in connection with certain acquisitions, including stock options granted by JAMDAT Mobile Inc., which was acquired by the Company in February 2006. Each stock option award specifies the exercise price that the employee must pay to purchase shares of Common Stock when the option is exercised. The exercise price per share is set at the closing market price of a share of our Common Stock on the date the option is granted. Employees receive value from their options only by exercising their rights under the options to purchase shares of Common Stock and subsequently selling the purchased shares at a price that exceeds their purchase price.

Restore Retention Incentives. Like many companies, our stock price has experienced significant volatility during the last several years. As a result, many of our employees hold options with exercise prices significantly higher than the current market price of our Common Stock. On June 19, 2006, options to purchase 18,463,724 shares held by our employees (other than our Named Executive Officers and non-employee directors), representing approximately 60% of outstanding options, had exercise prices greater

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than $41.21, the closing price of our Common Stock on that date, as reported on the NASDAQ National Market. These underwater options had a weighted average exercise price of $55.89 and a weighted average expected term of 6 years. On June 19, 2006, approximately 92% of our employees held at least some options that were underwater, and for approximately 63% of our employees all of their options were underwater. The exercise prices of options that were underwater on June 19, 2006, ranged from $41.49 to $65.93 per share. These underwater options may not be sufficiently effective as performance and retention incentives. We believe that to enhance long-term stockholder value we need to maintain competitive employee compensation and incentive programs that will assist us to motivate and retain our employees. By offering restricted stock rights, which are designed to deliver value without regard to an exercise price, we believe the Exchange Program will offer a meaningful retention incentive for eligible employees to remain with the Company.

Reduce Outstanding Overhang. Since many of the Eligible Options have been out of the money for an extended period of time, employees have had little or no incentive to exercise them. As a result, the value of our overhang (i.e., the total number of shares subject to outstanding equity awards as a percentage of our total shares of Common Stock outstanding) has decreased as a potential retention incentive for our employees. The Exchange Program will also serve to reduce our overhang, par