

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

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 In re: : Chapter 11
 :
 THQ INC., *et al.*, : Case No. 12-13398 (MFW)
 :
 Debtors.¹ : Jointly Administered
 :
 : RE: Docket Nos. 12 and 42
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**ORDER APPROVING STIPULATION BY AND BETWEEN THE DEBTOR
THQ INC., MICROSOFT LICENSING GP AND MICROSOFT CORPORATION**

Upon consideration of the *Motion for Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of Critical Vendors and Certain Administrative Claimholders and (II) Authorizing and Directing Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers* [D.I. 12] (the “Critical Vendor Motion”) and the *Stipulation by and between the Debtor THQ Inc., Microsoft Licensing GP and Microsoft Corporation* (the “**Stipulation**”),² a copy of which is attached hereto as Exhibit A; and it appearing that the Stipulation is in the best interests of the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”), their estates, their creditors, and other parties in interest; and after due deliberation, and good and sufficient cause appearing therefore,

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s taxpayer identification number are as follows: THQ Inc. (1686); THQ Digital Studios Phoenix, Inc. (1056); THQ Wireless, Inc. (7991); Volition, Inc. (4944); and Vigil Games, Inc. (8651). The Debtors’ principal offices are located at 29903 Agoura Road, Agoura Hills, CA 91301.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Critical Vendor Motion or Stipulation as appropriate.



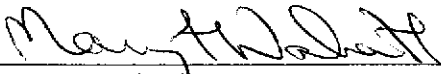
IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Stipulation is hereby APPROVED and the terms and conditions of the Stipulation are incorporated in this Order by reference as if fully set forth herein.

2. The \$981,612.90 in cash payments to be made to Microsoft on account of its prepetition claims shall be counted against the maximum amount that the Debtors are authorized to pay to Critical Vendors pursuant to the Interim Order, or the Final Order upon its entry, granting the Critical Vendor Motion, and (b) the \$1,988,387.10 amount recouped or setoff among the parties shall not count against the maximum amount that the Debtors are authorized to pay to Critical Vendors pursuant to the Interim Order, or the Final Order upon its entry, granting the Critical Vendor Motion.

3. This Court shall retain jurisdiction to hear and determine any and all matters arising from or related to the interpretation or implementation of this Order or Stipulation.

Dated: Wilmington, Delaware
January 4, 2013



Mary F. Walrath
United States Bankruptcy Judge

EXHIBIT A

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re: : Chapter 11
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THQ INC., *et al.*, : Case No. 12-13398 (MFW)
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Debtors.¹ : Jointly Administered
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**STIPULATION BY AND BETWEEN DEBTOR THQ INC., MICROSOFT
LICENSING, GP AND MICROSOFT CORPORATION**

This stipulation (the “Stipulation”) is entered into and agreed to by and between THQ Inc., a Delaware corporation (“THQI”), one of the debtors and debtors in possession in the above-captioned cases (the “Debtors”), Microsoft Licensing, GP, a Nevada general partnership (“Microsoft Licensing”), and Microsoft Corporation, a Washington corporation (together with Microsoft Licensing, “Microsoft”) based on the following facts:

A. On December 19, 2012 (the “Petition Date”), each of the Debtors filed a voluntary petition with the Court for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are continuing to manage their financial affairs as debtors in possession. Pursuant to an Order of the Court dated December 20, 2012, the Debtors’ cases are being jointly administered for procedural purposes only.

B. THQI has a long-standing relationship with Microsoft pursuant to that certain Xbox 360 Publisher License Agreement dated as of October 31, 2005, as amended from time to time (the “License Agreement”), whereby THQI pays Microsoft Licensing for certain rights to

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publish video games for Microsoft Licensing's Xbox 360 video game system and Microsoft Corporation remits to THQI royalty fees for distribution of THQI's online content via Xbox distribution channels.

C. Pursuant to an interim Order of the Court dated December 20, 2012 (the "Interim Critical Vendor Order"), the Debtors are authorized, but not directed, in the exercise of their reasonable business judgment, to pay select third-party vendors, without which the Debtors could not continue to operate their businesses, or the loss of which would result in their operation at significantly reduced profitability (collectively, the "Critical Vendors").²

D. Microsoft is one of the Debtors' Critical Vendors, serving as a platform entity with which THQI has entered into the License Agreement to develop games that will play on Microsoft Licensing's exclusive gaming consoles.

E. As of the Petition Date, THQI owed Microsoft Licensing the aggregate sum of \$2,970,000.00 pursuant to the License Agreement.

F. As of the Petition Date, Microsoft Corporation owed THQI the aggregate sum of \$1,988,387.10 pursuant to the License Agreement on account of online content distributed through the Xbox 360 video game system.

G. Prior to entering into this Stipulation but after the Petition Date, THQI paid to Microsoft Licensing \$548,000 as cash in advance for amounts due under the License Agreement for a shipment of product after the Petition Date (the "\$548,000 Post-Petition Payment"). The parties subsequently agreed that if they were able to reach an agreement regarding the matters addressed in this Stipulation, THQI and Microsoft would agree to apply the \$548,000 Post-Petition Payment to Microsoft's pre-petition claim, pursuant to the Interim Critical Vendor Order, and Microsoft would provide THQI new credit on account of the post-petition shipment.

² The Interim Critical Vendor Order is subject to a final hearing scheduled on January 4, 2013.

H. Microsoft and THQI have agreed to resolve certain of their respective claims against each other on the terms and conditions set forth in this Stipulation, including specifically the recoupment, or alternatively setoff, of the pre-petition sum owed to THQI by Microsoft Corporation against the pre-petition sum owed to Microsoft Licensing by THQI.

NOW THEREFORE, it is hereby stipulated and agreed as follows:

1. THQI and Microsoft hereby agree to recoup, or setoff, the pre-petition balance of \$2,970,000.00 owed by THQI to Microsoft Licensing under the License Agreement against the pre-petition balance of \$1,988,387.10 owed by Microsoft Corporation to THQI under the License Agreement. This recoupment will reduce Microsoft's prepetition claim to \$981,612.90 (the "Remaining Balance").

2. The \$548,000 Post-Petition Payment and any other cash payments made by the Debtors to Microsoft after the Petition Date shall be applied to the Remaining Balance pursuant to the Interim Critical Vendor Order. THQI shall pay Microsoft \$433,612.90 (or lesser amount as is due if additional cash payments have been made after the Petition Date) in full satisfaction of the Remaining Balance pursuant to the Interim Critical Vendor Order.³ This payment is due on January 2, 2013, but shall be payable immediately upon entry of an order approving this Stipulation.

3. For the 90-day period following entry of an order approving this Stipulation, all post-petition shipments by Microsoft Licensing for THQI will be on regular credit terms similar to the terms provided by Microsoft prior to the Petition Date, but subject to the terms and conditions of both the License Agreement and any credit agreement pursuant to which credit was extended under the License Agreement and THQI's faithful performance of its obligations

³ If the Interim Critical Vendor Order becomes final, such payments made pursuant to the Interim Critical Vendor Order are made pursuant to a final Critical Vendor Order.

thereunder and under this Stipulation If THQI breaches the License Agreement or any related credit agreement, then Microsoft shall be entitled to all of the rights and remedies available under those agreements and under applicable law, including the right, without further Bankruptcy Court order, to withdraw credit terms and to require prepayment for deliveries.

4. Rather than transferring cash back and forth for post-petition amounts due under the License Agreement, the parties will recoup, or setoff, all post-petition sums owed to THQI by Microsoft Corporation against the post-petition sums owed to Microsoft Licensing by THQI. Such recoupment or setoff will be made each time that Microsoft Corporation would otherwise be obligated to make a cash payment to THQI and THQI will then be liable for only the net balance due after that recoupment or offset (assuming that THQI owes more to Microsoft than Microsoft owes to THQI). If the amount owing to THQI exceeds the amount owed by THQI, then Microsoft shall pay the net balance due when its payment to THQI is due under the License Agreement.

5. To the extent necessary the automatic stay of section 362(a)(7) of the Bankruptcy Code is modified to permit the foregoing recoupment or setoff and all other transactions contemplated by this Stipulation.

6. This Stipulation is subject to approval of the Bankruptcy Court and this Stipulation shall become effective on the date that the Court enters its Order approving this Stipulation and providing that: (a) the \$981,612.90 in cash payments to be made to Microsoft on account of its prepetition claims shall be counted against the maximum amount that the Debtors are authorized to pay to Critical Vendors, and (b) the \$1,988,387.10 amount recouped or setoff among the parties shall not count against the maximum amount that the Debtors are authorized to pay to Critical Vendors.

7. This Stipulation may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, and it shall constitute sufficient proof of this Stipulation to present any copy, copies or facsimiles signed by the party hereto to be charged.

8. This Stipulation shall be binding on all parties in interest in the Debtors' cases.

9. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Stipulation.

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Dated: January 3, 2013

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Dated: January 3, 2013

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*Proposed Attorneys for the Debtors and
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