

**MAD CATZ INTERACTIVE, INC.**



**INSIDER TRADING COMPLIANCE PROGRAM**

Replacing the earlier policy effective as of August 26, 2004

In order to take an active role in the prevention of insider trading violations by its officers, directors, employees and other related individuals, Mad Catz Interactive, Inc. and its subsidiary companies (collectively the “*Company*”) has adopted the policies and procedures described in this Memorandum.

**I. Adoption of Insider Trading Policy.**

The Company has adopted the Insider Trading Policy attached hereto as Exhibit A (the “*Policy*”), which prohibits trading based on material, nonpublic information regarding the Company and/or its subsidiaries (“*Inside Information*”). The Policy covers officers, directors and all other employees of, or consultants or contractors to, the Company, as well as family members of such persons, and others, in each case where such persons have or may have access to Inside Information. The Policy (and/or a summary thereof) is to be delivered to all applicable new employees and consultants upon the commencement of their relationships with the Company, and is to be circulated to all affected personnel at least annually.

**II. Individuals Subject to Pre-Clearance Procedure.**

The Company has determined that those persons listed on Exhibit B attached hereto, comprised of directors and officers of the Company, and those persons listed on Exhibit C attached hereto, comprised of persons that the Company believes have, or are likely to have, regular access to Inside Information in the normal course of their duties, will be subject to the pre-clearance requirement described in Section IV.A. below. Exhibit B will be amended from time to time by the Insider Trading Compliance Officer as appropriate to reflect the election of new officers or directors, any change in function of current officers and the resignation or departure of current officers or directors. Exhibit C will also be amended from time to time by the Compliance Officer. Under special circumstances, certain persons not listed on Exhibit C may come to have access to Inside Information for a period of time. During such period, such persons should also be subject to the pre-clearance procedure described in Section IV.A. below.

### **III. Appointment of the Insider Trading Compliance Officer.**

The Board of Directors has appointed **the Chief Financial Officer** as the Company's Insider Trading Compliance Officer.

### **IV. Duties of the Insider Trading Compliance Officer.**

The duties of the Insider Trading Compliance Officer shall include, but not be limited to, the following:

**A.** Pre-clearing all transactions involving the Company's securities by those individuals listed on Exhibits B and C, in order to determine compliance with the Policy, insider trading laws and Rule 144 promulgated under the U.S. Securities Act of 1933, as amended.

**B.** Performing periodic cross-checks of available materials, which may include Form 144, officers and director's questionnaires, and reports received from the Company's share administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Inside Information.

**C.** Circulating the Policy to all affected employees, including those individuals listed on Exhibits B and C, on an annual basis, and providing the Policy and other appropriate materials to new officers, directors and others who have, or may have, access to Inside Information.

**D.** Assisting the Company's Board of Directors in implementation of the Policy and Sections I and II of this Insider Trading Program.

**E.** Management of the Company's Rule 10b5-1 Plan should the Company choose to adopt one.

### **V. ACKNOWLEDGEMENT**

After you have read the attached Insider Trading Policy, the acknowledgement attached as Exhibit D to the Insider Trading Policy should be detached, signed and returned to the Insider Trading Compliance Officer. If there is any information in the attached Insider Trading Policy that you do not understand or if you are faced with a situation where you believe you need advise as to the applicability or effect of the attached policy, please contact the Insider Trading Compliance Officer at the San Diego office.

## EXHIBIT A

### MAD CATZ INTERACTIVE, INC.



### **INSIDER TRADING POLICY**

#### and Guidelines with Respect to Certain Transactions in Company Securities

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This Policy provides guidelines to employees, officers and directors of Mad Catz Interactive, Inc. ("*Mad Catz Interactive*") and its subsidiaries (collectively, the "*Company*") with respect to transactions in the Company's securities.

#### **Applicability of Policy**

This Policy applies to all transactions in the Company's securities, including the Mad Catz Interactive common stock, no par value (the "*Common Stock*"), options to purchase Common Stock and any other securities the Company may issue from time to time, such as warrants and convertible debentures, as well as to derivative securities relating to the Company's capital stock, whether or not issued by the Company, such as exchange-traded options.

This Policy applies to all officers of the Company, all members of the Company's Board of Directors, and all employees of, and consultants and contractors to, the Company who receive or have access to Inside Information (as defined below) regarding the Company. This group of people, members of their immediate families, and members of their households are sometimes referred to in this Policy as "*Insiders*." This Policy also applies to any person who receives Inside Information from any Insider.

Any person who possesses Inside Information regarding the Company is an Insider for so long as the information is not publicly known. Any employee can be an Insider from time to time, and would at those times be subject to this policy.

#### **Statement of Policy**

##### A. General Policy

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the workplace, and the use of Inside Information in securities trading.

B. Specific Policies Applicable to All Employees and Directors

1. Trading on Inside Information. Except as permitted under paragraph 4 below, no director, officer, consultant, contractor or employee of the Company, and no member of the immediate family or household of any such person, shall engage in any transaction involving a “purchase” or “sale” of the Company’s securities from the date that he or she possesses Inside Information until the beginning of business on the second Trading Day following the date of public disclosure of that information. “**Trading Day**” means a day on which national stock exchanges and any national automated quotation systems are open for trading. For example, if the Company publicly released the inside information in question on a Monday, the possessor of that inside information would be able to again trade in the Company’s securities at the beginning of business on Wednesday morning.

“Purchase” and “sale” are defined broadly under the U.S. federal securities laws. “Purchase” includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. “Sale” includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, conversions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to a security.

IF A PERSON POSSESSES INSIDE INFORMATION, HE OR SHE MUST FOREGO ANY PROPOSED TRANSACTION IN THE COMPANY’S SHARES (UNLESS SUCH TRANSACTION IS IN ACCORDANCE WITH THE RULE 10B5-1 EXEMPTION DESCRIBED IN PARAGRAPH 4 BELOW) EVEN THOUGH HE OR SHE PLANNED TO MAKE THE TRANSACTION BEFORE HE OR SHE LEARNED OF THE INSIDE INFORMATION AND EVEN THOUGH THE FAILURE TO EXECUTE SUCH TRANSACTION MAY RESULT IN A LOSS OR THE INABILITY TO GENERATE AN ANTICIPATED PROFIT.

2. Tippling. An Insider shall not disclose (“**tip**”) Inside Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates. An Insider or related person shall not make recommendations or express opinions on the basis of Inside Information as to trading in the Company’s securities.

3. Confidentiality of Nonpublic Information. Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden.

4. Rule 10b5-1 Exemption. Transactions pursuant to a contract, instruction or plan (a “**Plan**”) entered into by an employee of the Company in good faith and in accordance with the terms of Rule 10b5-1 of the Exchange Act of 1934 and all applicable state laws shall be exempt from the trading restrictions set forth in paragraph 1 above and in paragraphs 5 and 6 below if the Plan is implemented and operated in accordance with the terms of Rule 10b5-1 and of this paragraph. The initiation of, and any modification to, any such Plan will be deemed to be a

transaction in the Company's securities and such initiation or modification is subject to all limitations and prohibitions transactions involving the Company's securities. Each such Plan, and any modification thereof, shall be submitted to and pre-approved by the Insider Trading Compliance Officer, who may impose such conditions on the implementation and operation of the Plan as the Insider Trading Compliance Officer deems necessary or advisable. However, compliance of the Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Plan is the sole responsibility of the employee initiating the Plan, not the Company or the Insider Trading Compliance Officer.

From time to time, for legal or other reasons, the Insider Trading Compliance Officer may direct that purchases and sales pursuant to any Plan be suspended or discontinued. Failure of the employee to discontinue purchases and sales as directed shall constitute a violation of the terms of this paragraph and result in a loss of the exemption set forth herein.

5. Trading Window. Except as provided in paragraph 4 above, the Company strongly recommends that all directors, officers and employees having access to the Company's internal financial information statements as well as other Inside Information refrain from conducting any transaction involving the Company's securities other than during the "**Trading Window.**" The Trading Window opens at the beginning of business on the second Trading Day following the date the Company publicly discloses its financial results for the previous fiscal quarter or year. The Trading Window closes at the end of the day on the last month of each quarter. The Company recommends, assuming the absence of Inside Information that trades occur during the first ten days of the Trading Window.

From time to time, the Company may also require that directors, selected employees and others suspend trading because of developments known to the Company and not yet disclosed to the public. In such event, such persons shall not engage in any transaction involving the Company's securities during such period and shall not disclose to others the fact that trading has been suspended.

The purpose behind the suggested self-imposed Trading Window period is to help establish a diligent effort to avoid any improper transaction. An Insider may choose not to follow this suggestion, but he or she should be particularly careful with respect to trading outside the Trading Window, since the Insider may, at such time, have access to Inside Information regarding, among other things, the Company's anticipated financial performance for the quarter.

It should be noted, however, that even during the Trading Window, any person possessing Inside Information concerning the Company should not engage in any transactions in the Company's securities until such information has been known publicly for at least one Trading Day, whether or not the Company has recommended a suspension of trading to that person. Trading in the Company's securities during the Trading Window should not be considered a "safe harbor," and all directors, officers and other persons should use good judgment at all times.

6. Option Exercises and Sales. The exercise of share options for cash under the Company's share option plans (but not the sale of any such shares) is exempt from this Policy,

since the other party to the transaction is the Company itself and the price does not vary with the market but is fixed by the terms of the option agreement or the plan.

C. Pre-Clearance of Trades by Directors, Officers and Certain Employees

All directors, officers and other persons listed in Exhibits B and C shall not trade in the Company's securities, even during the Trading Window, until such individual has completed the Company's "pre-clearance" process. Each such Person should contact the Insider Trading Compliance Officer before commencing any trade in the Company's securities and obtain the Insider Trading Compliance Officer's approval before proceeding with the transaction. The Insider Trading Compliance Officer shall approve the transaction unless the Insider Trading Compliance Officer reasonably believes the transaction would violate law or this Policy. This pre-clearance process is mandatory even if an individual does not possess Inside Information. The Company may find it necessary, from time to time, to require compliance with the pre-clearance process from certain employees, consultants and contractors other than and in addition to those individuals listed in Exhibits B and C. In the absence of a suspension of trading imposed by the Company on a particular individual or individuals, approval by the Insider Trading Compliance Officer of such individual's 10b5-1 Plan, if adopted by the Company, satisfies the pre-clearance requirement for trades executed pursuant to such Plan.

D. Applicability of Policy to Inside Information Regarding Other Companies

This Policy also applies to Inside Information relating to other companies, including the Company's vendors and customers ("*business partners*"), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. Inside Information about the Company's business partners should be treated with the same care as Inside Information related directly to the Company.

E. Definition of Inside Information

Inside information is material, nonpublic information.

*Material Information.* It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of stock or other securities.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive. Examples of such information may include:

- Financial results
- Projections of future earnings or losses
- Licenses to or from third parties

- Signing or termination of a substantial new contract
- Patent office actions (such as allowing, issuing or denying a patent, or starting interference proceedings)
- A pending or proposed acquisition, merger or joint venture
- Completion of a technical development or milestone
- Unanticipated technical problems with products
- Commencement of a new development effort
- Stock splits
- New equity or debt offerings
- Actual or threatened litigation
- Changes in senior management
- Impending bankruptcy or financial liquidity problems

Both positive and negative information can be material. ***If asked about any of the above matters by someone who is not an Insider, the Company's strict policy is, so long as such information is "non-public," to respond that the Company's policy is not to comment on such matters.***

*Nonpublic Information.* Information is "nonpublic" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Reuters Economic Services, The Wall Street Journal, Associated Press or United Press International or through a public filing with the SEC and have been in the public domain for a period of at least one full Trading Days. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should assume that one full trading day or approximately 48 hours following publication is a reasonable waiting period prior to any trading. In any event, if your name appears on Exhibit B or C you should pre-clear any transaction in a Company security with the Company's Insider Trading Compliance Officer.

#### F. Limitations on Access to Company Information

All directors and Company employees should take all steps and precautions necessary to restrict access to, and secure, Inside Information by, among other things:

- Maintaining the confidentiality of transactions.
- Conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons.
- Restricting access to documents and files (including computer files) containing Inside Information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents).

- Promptly removing confidential documents and other materials from conference rooms following the conclusion of any meetings.
- Avoiding the discussion of Inside Information in places where information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

#### G. Individual Responsibility to Comply with Policy

Every officer, director, consultant, contractor and employee has the individual responsibility to comply with this Policy, regardless of whether the Company has recommended a Trading Window to that Insider or any other Insiders of the Company. Beyond the guidelines set forth in this Policy, appropriate judgment should be exercised in connection with any trade in the Company's securities.

#### H. Potential Criminal and Civil Liability and/or Disciplinary Action

1. Liability for Insider Trading. Persons may be subject to penalties of up to \$1,000,000 and up to ten years in prison for engaging in transactions in the Company's securities at a time when they possess Inside Information regarding the Company.

2. Liability for Tipping. Persons may also be liable for improper transactions by any person (a "*tippee*") to whom they have disclosed Inside Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The U.S. Securities and Exchange Commission (the "*SEC*") has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the National Association of Securities Dealers, Inc. use sophisticated electronic surveillance techniques to uncover insider trading.

3. Possible Disciplinary Actions. Employees of the Company who violate this Policy are subject to disciplinary action by the Company as determined by its officers. Penalties may include ineligibility for future participation in the Company's equity incentive plans or termination of employment.

#### I. Inquiries

Please direct your questions as to any of the matters discussed in this Policy to the Insider Trading Compliance Officer.

## **EXHIBIT B**

### **OFFICERS AND DIRECTORS SUBJECT TO PRE-CLEARANCE PROCEDURE**

1. Directors:

2. Officers:

**EXHIBIT C**

**OTHER EMPLOYEES SUBJECT TO PRE-CLEARANCE PROCEDURE**

<u>Position</u>	<u>Employee</u>
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## EXHIBIT D

### ACKNOWLEDGEMENT

TO: Chief Financial Officer

FROM:

RE: MAD CATZ INTERACTIVE, INC. INSIDER TRADING COMPLIANCE  
PROGRAM AND INSIDER TRADING POLICY DATED AS OF AUGUST 26,  
2004

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I have received, reviewed and understand the above-referenced Insider Trading Policy of Mad Catz Interactive, Inc. and hereby undertake, as a condition to my present and continued employment at Mad Catz Interactive, Inc. to comply fully with the policies and procedures contained therein.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
TITLE